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DAI MACHERIA

Monday January 16 1989

### up Prague memorial gathering

Czechoslovak police clashed with about 2,000 people who assembled in central Prague to commemorate the death
20 years ago of Jan Palach,
who set himself on fire in protest against the 1968 Soviet led invasion. At least one person was injured in the third seri-ous gathering of opposition groups in Prague in the past six months. Page 12

Karabakh direct rule The Kremiin's decision to impose direct rule on the dis-puted region of Nagorno-Kara-bakh will mean no change in the enclave's status as part of Armenia, but will bring most key decisions under local control. Page 2

Rail crash kills 120 At least 120 people were killed and more than 1,000 injured when two packed express trains crashed head on in Banladesh's worst ever rail disas-

Pull-out 'on time' The commander of Soviet forces in Afghanistan said in a television interview that all his troops would leave the country by the February 15 deadline set in the Geneva accords, despite failure so far to find a political settlement.

Militias agree truce Rival Shia militias agreed a temporary truce to allow Red Cross teams to evacuate the dead and dying from the southern Lebanese town of Jubah, after fighting in which 166 people have been killed since December 31.

East German protest East German police reportedly arrested about 80 people when some 500 activists gathered in central Leipzig to protest against the detention of 11 dis-aldents.

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65 mm 18

Belgium stops aid Belgium took the initiative in a continuing diplomatic row with its former colony, Zaire, announcing a halt to new aid projects. Page 2

iraq to free 225

Iraq is to release 255 mostly sick or crippled Iranian prison-ers of war, President Saddam Hussein promised. Officials said Baghdad expected the International Committee of the Red Cross (ICRC) to persuade Tebran to free a similar number of fragi prisoners.

New Socialist leader Portugal's much delayed constitutional review should enter

a more active phase after the election of Jorge Sampaio, a lawyer and foreign affairs expert, as leader of the opposition Socialist Party. Page 3

**ETA talks proposal** The Spanish Government is separatist organisation ETA, provided the latter extends its current two-week truce.

Palestinians die Israeli troops in the occupied West Bank shot dead a Palesteenager and a Gaza wouth died of his wounds, as

territories staged a general strike in protest at Israeli rule.

Mafia Indictment Sicilian magistrates have taken

an important step towards exposing links between local politicians and the Maña with a request for the indictment Christian Democrat party

Norway border offer Norway has received an offer from the Soviet Union to "alter moderately" its proposed northern-most boundary in a strategically vital zone of the Barents Sea. Page 2

Chemical plant row

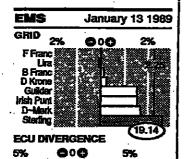
A visit by an independent engineering team to the controver-sial chemicals production complex at Rabta in Libya would quickly establish whether it is intended to make chemical weapons, according to Western experts. Page 12

Business Summary Police break Survey hints

#### at slowing of British retail boom

RAPID growth in UK retail sales may be showing first signs of running out of momer tum, according to latest CBI/ FT survey, after several months in which results have jumped around and often conflicted with signals from official sources. Page 4

EUROPEAN Monetary System: Strength of the dollar relieved pressure on weaker members of the EMS last week but cen-tral banks intervened in attempt to restrict dollar's rise. Trading remained nervous ahead of long weekend in some financial centres and Bank of Italy continued to buy D-Marks in effort to offset lira's



Limit ECU Parity EDay Position

The chart shows the two con-

straints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross-rates from hich no currency (except the lira) may move by more than 24 per cent. The lower chart gioes each currency's divergence from the "central rate" against the European Currency Unit (Ecu), itself derived from a basket of European currencies.
Currencies, Page 26

PUBLIC Service of New Hampshire, first US power utility to operate under bankruptcy law since the Depression, has received takeover offer for non-puclear assets from Northeast Utilities, that may be worth up to \$2bn. Page 16

IIK securities houses face sub stantial costs because of planned legislation which could to provide transcripts of all tapes which routinely record telephone conversations in trading rooms. Page 4

HONG Kong Government is considering amending Securities and Futures Commission Bill following opposition from brokers who fear proposed watchdog will slow colony's securities markets with over-regulation. Page 3

IBERIA, Spanish national airline, is expecting to have to cancel hundreds of domestic and international flights this week as strike by maintenance staff begins to bite. Page 2

WEST German Finance Minister Gerhard Stoltenberg said he sees no cause for rise in ent, either for economic or exchange rate reasons. Page

LONDON International Stock Exchange has eased Eurobond listing requirements and reduced charges in apparent attempt to take business from Luxembourg. Page 16

**RJR Nabisco's Del Monte** Foods unit will probably be sold to help pay for \$25bn leveraged buyout of RJR Nabisco by Kohlberg Kravis Roberts. Page 16

**AUSTRALIAN** Government has set qualified precedent for deregulation of banking industry by approving, in principle, proposed A\$103m (US\$99m) bid by MLC Life group for Australian Bank. Page 16

**CREDIT Lyonnals of France** has taken over 11-strong European equity market-making team which was among 450 people made redundant by Morgan Grenfell in shake-out of its London operations at beginning of December, Page

NICARAGUA'S Finance Minister, William Hupper, revealed that 1988 public sector deficit equivalent to 27 per cent of GNP was financed entirely by monetary emission, largely explaining inflation rate estimated at 50,000 per cent last year. Page 3

Brazil faces price freeze and sharp rein on monetary policy

PRESIDENT JOSE SARNEY
was last night due to announce
Brazil's third major economic
"shock" in under three years,
with a new price freeze, a steep
increase in real interest rates,
when high tightned measures.

The property of the economy.

Upon its success rests the
future of the widely discredited
Sarney administration, which
still has 14 months left to get
ent before a new cresident. sharply tightened monetary policy and a ministerial reform expected to involve mass dis-missals of civil servants.

missals of civil servants.

The Summer Plan, which aims to apply the brakes on an inflation rate nearing 30 percent a month, also knocks three zeros off the currency to create the New Cruzado (NCz) and ends inflation indexing in

Sarney administration, which still has 14 months left to gov-ern before a new president, to be elected in November, takes office in March next year.

Congress has until February 15 either to accept or throw out

The programme is the most nsive and wide-ranging since the now notorious Cruzado Plan of February 1986,

which also froze prices but col-lapsed in an inflationary surge

It does not freeze exchange rates, but will instead allow continued daily devaluations. Union leaders had threat-

ened a general strike if the plan involved real reductions in workers' purchasing power. It remained unclear yester-day whether the Government had succeeded in persuading them to accept its compromise

marking up of prices at stores and supermarkets last week, leading to speculation that January's inflation rate will be above 30 per cent. Stephen Fidler in London

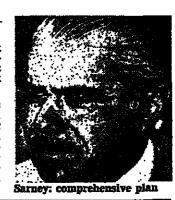
Brazil, which last week requested support for the package in the form of a standby financing from the US of up to \$3bn - similar to a \$3.5bn standby to Mexico agreed in November - is also looking for some adjustments to the debt

Widespread anticipation of the plan triggered frantic

deal that it signed with com-mercial banks last year.

At a meeting in New York on Saturday, requested by Bra-zil, the country's officials met its main commercial bank lenders, headed by Citibank.

They outlined in broad terms proposals which included both a modification of a relending programme, where foreign bank funds frozen at the Cen-tral Bank are allowed to be lent back to Brazilian enter-prises, and debt conversion



# AT&T likely to join consortium seeking to bid for GEC control

By Hugo Dixon in London

AT&T, the US telecommuni cations group, is expected to confirm later this week that it will take part in the consortium trying to bid for Britain's General Electric Company.

AT&T representatives were locked in negotiations over the weekend with Lazard Brothers, the merchant bank, which is trying to organise the bid for GEC. They are flying back to New York no later than today. Under the deal which is thought to have been ham-mered out, AT&T would take a controlling stake in GPT, the 50-50 telecommunications joint venture between GEC and Ples-

sey, a rival UK electronics company. This would value GPT at about £1.8bn (\$3.3bn). A formal decision from AT&T is expected after a board meeting which is being held in New York on Wednesday. In a further development in the unfolding battle for control of Britain's electronics industry, Plessey served notice on GEC that, in its view, GEC had

broken the two companies'

agreement setting up GPT. It

right to acquire GEC's share of GPT. GEC dismissed this move as "a pretty unconvincing tech-nical argument."

Plessey contends that GEC broke the agreement by promising Siemens a 40 per cent stake in the unit in the event of a successful takeover of

The agreement specifies that neither side should agree to do anything which affects the legal title to any interest in its shares in GPT. If either side breaks the agreement, the other can buy its share at a price to be determined by independent auditors. Plessey argues that GEC has promised to vote its share of GPT in a particular way to ful-

fill its promise to Siemens. This breaks the agreement, according to Plessey, because voting rights are an important interest of a share.
Plessey is currently under siege from GEC and Siemens of

West Germany, whose joint £1.7bn bid for the company was

referred to the Monopolies and Mergers Commission at the end of last week. It is also

man cartel office. Lazard's chances of putting a

consortium together were dealt two blows last week. First, STC, the UK's second largest electronics company, said it was unlikely to take part. Then, General Electric of the US, which had been in discussions with Lazard about a hos-tile bid for GEC, decided instead to form a series of

friendly alliances with GEC.
The involvement of AT&T, however, would allow Lazard to launch a bid for GEC towards the end of this week. The other members of the consortium are Thomson of France, which would acquire part of GEC's defence interests, and Plessey, which would acquire most of the rest. The remainder of GEC's

businesses - mainly power engineering, domestic appli-ances, medical electronics and office automation - would be run by Sir John Cuckney. Lazard's present intention is that Metsun, an off-the-shelf

company whose only share-

being studied by the European holder is Sir John, would offer Commission and the West Gerits own paper for GEC. It its own paper for GEC. It would also contract with Thomson, Plessey and AT&T, which would buy various parts of GEC in the event of a successful bid.

> made a referral of any Metsun hid inevitable. Lazard did not want to pay large up-front fees, which would have been needed to support a part-cash offer.
>
> In the event of a Metsun bid height allowed to support a part-cash offer. being cleared, Lazard might

Larard decided on an all-pa-per offer after the referral of the GEC/Siemens bid, which

reinstate a cash element. Bar-clays Bank is standing by to provide a £3.5bn bridging loan. The involvement of AT&T is

itkely to prove politically con-troversial, with opposition MPs and back-bench Conservatives arguing that Britain's electron-ics industry is in danger of being carved up by foreigners. Set against this, however, is the conviction within the British Government that GPT needs a foreign partner to sur-

vive in the long run. Editorial comment, Page 10;

# Titans gather for the power game

THE TITANS of world Mr Welch's conversion from electronics converged on Lon-contemplating a hostile tronics spent the week locked Europe, where the locked tronics spent the week locked tronics. the climax of Act One of the restructuring of the European

By Hugo Dixon in London

industry. The curtain fell on Friday, as Mr Jack Welch, chairman of General Electric of the US, and Lord Weinstock, managing director of Britain's General Electric Company, unveiled a four-pronged joint venture. Earlier in the week, Mr Welch had been thinking about bidding for GEC.

deal was a coup for Lord Weinstock. However, it is also clear that Mr Welch's talks with the Lord Weinstock's mind.

This denouement followed a week of extraordinary events. Mr Alain Gomez, chairman of Thomson, had flown in from France, Mr Ed Fitzgerald, chairman of Northern Telecom. from Canada. Representatives from AT&T of the US

in negotiations both with each other and with some of Britain's most powerful busi-nessmen – Lord Keith, chair-man of STC; Sir John Clark; chairman of Plessey; Sir John Nott, chairman of Lazard Brothers, and Sir John Cuckney, chairman of Westland.

Negotiations often continued right through the night as the participants manoenvred for position. The prizes were slices being dramatically reshaped ahead of 1992. Last week's drama was the

result of months of slow manoeuvring. At the centre of events was Lord Weinstock, whose ambitions for expanding his business both in the UK and throughout Europe over the previous decade had been frustrated by regulatory

Continued on Page 12

# **Drastic measures** ordered to boost Soviet economy

A CRISIS meeting of the Soviet Council of Ministers, summoned to consider new ways of galvanising economic activity, boosting production of con-sumer goods, and easing food shortages, has ordered "drastic measures" to cut state spending and force excess stocks of raw materials to be used in production.

Few details of the package of measures were released yester-day, but the weekend meeting comes at a time when public dissatisfaction with shortages in the shops is causing growing alarm in the Kremlin

Key moves ordered by the Council of Ministers, chaired by Mr Nikolai Ryzhkov, the Prime Minister, include: • Urgent action to cancel or complete billions of roubles worth of uncompleted con-

struction projects. Measures to keep pay rises in line with productivity. • The overhaul of food distribution organisations.

• A new drive to promote co-

operatives — the fledgling private sector — in food processing and distribution.

No mention was made in the

first official reports of a price control package, approved in outline 10 days ago by the ruling Polithuro, nor of precise spending cuts to reduce the state's chronic budget deficit. However further details are expected in the coming days. The meeting of the Council,

the top organ of Soviet executive government, heard a string of gloomy statistics on the failure of slowly reviving economic growth to reduce consumer shortages, boost sci-entific and technical progress, or save scarce resources. A string of senior ministers. including Mr Nikolai Pugin, Minister of the Automobile

consumer goods up to the state-planned targets. The meeting heard that no significant progress had been made in reducing the number of uncompleted construction projects, with the value of such unfinished work up Rs5bn to Rs13bn in 1988. On the question of producing and distributing fresh fruit andvegetables, the Ministers were told that the number of

Minister of the Machine Tool Industry, and Mr Vladimir Lukyanenko, Minister of Chemical and Petroleum Engi-neering, and the Prime Minis-

ters of the Russian Federation, Uzbekhistan, Kazakhstan and

others, were publicly repri-manded for failing to supply

orchards and market gardens around the Soviet Union had slumped by 30 per cent, or 830,000 hectares, over the past 15 years.
"People in the Moscow

region have virtually ceased to engage in market gardening," Tass reported, "with 4,300 hectares out of 19,600 hectares

remaining."
Urgent action must be taken to revive the sector, and to promote "co-operative forms of processing fruit and vegetable products," they agreed. Another key field for co-opera-tives was as "intermediary trade co-operatives," to provide competition in the chronically inefficient food distribution

The renewed enthusiasm for co-operatives, the target of much public and official criticism in recent weeks for their poor quality and high prices, underlines the continuing divisions in the highest ranks of the Soviet Government over the direction and emphasis of the economic reforms. Minister of the Automobile Soviet troops to quit Afghan-Industry, Mr Nikolai Panichev, istan on schedule, Page 2

# **Vienna accord seen as marking** new era in East-West relations

By Judy Dempsey in Vienna

A MAJOR document covering human rights, military and security issues and economic co-operation was formally agreed by 35 countries yester-day in what is widely seen as a landmark in East-West rela-

tions.

The agreement, which was held up last week by a bilateral dispute between Greece and Turkey, opens the way for the start of new conventional arms reductions talks as well as negotiations on confidence and security-building measures. However, Romania, the one dissenting voice, said it would implement only those provisions which applied to its constitution.

stitution. The Conference on Security and Co-operation in Europe (CSCE), which includes Can-ada, the US and all the European countries except Albania, had been meeting in Vienna since November 1986 to review the implementation of the 1975 Helsinki Accords.

During the two years of pared with the original Helnegotiations, the Soviet Union sinki Final Act and the folmade significant compromises in terms of allowing more emi-gration, travel, and ending the jamming of Western radio broadcasts. It also agreed to a new mechanism in the CSCE which will allow individuals to monitor their governments' adherence to the Vienna docu-

Mr Yuri Kashlev, head of the Soviet delegation, yesterday said the Vienna document would not have been possible without the democratic processes in the Soviet Union. Without Gorbachev we would not have been in a position to work out this historic document," he said.
This is a view shared by Ma

Warren Zimmermann, the US ambassador. However, Mr Zim-

mermann added that the Soviet Union had persistently opposed every single proposal put forward by the West. The Vienna document, com-

Money Markets

low-up Madrid conference in 1983, gives the individual sub-stantially more rights, particu-larly in the field of religious freedom and travel. For example, governments would be obliged to deal with urgent family reunification cases in three days. However, the docu-ment is not legally binding. Mr Kashlev said yesterday

the Soviet Union intended to bring national legisation into line with the Vienna docu-ment, which may entail a review of the criminal code under which political prisoners are sentenced.

Agreement on the draft final document was unexpectedly held up by a dispute between Greece and Turkey over what area of Turkey should be excluded from the new mandate talks for reducing conventional macroproducing conventional macroproducing conventional tional weapons. Foreign minis ters are expected to approve

#### CONTENTS

World Guide

THE MONDAY INTERVIEW



Professor Fang Lizhi, world renowned astrophysicist, is often referred to as China's Andrei Sakharov and has not been afraid to speak out for greater freedoms and chal lenge his country's political authorities

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E Europe

discusses

ecological

time-bomb

By Lesile Coliff in Dresden

THE TWO Germanies put aside their ideological differ-ences this weekend, as Europe-ans from East and West looked on with amazement.

Dresden, the wartern East German arts and science con-tre, was the scene of an East-West conference on a common

enemy - the destruction of the environment. Apart from war, Germans fear it more than any other threat to their

survival.

In the luxurious Ballevae Hotel near the Elbe, one of Europe's most polluted rivers, politicians and scientists from both German stress were in

rare agreement ideology was

of little use in cleaning up air

On the other side of the

Elbe. Mitte Power Station blasted its gases into the sir. Dresdeners say that, at night, even the ash filters are opened

entes made no mention of such

visible offenders, Bor was

there any discussion about Dresden's only sewage treat-

ment plant, at Kaditz and dat-

The sewage passes untreated through the plant, which is "temporarily" shut down. A citizens' ecology group is battling to reverse the official ban

on publishing relevant envi-

The group's water poliution testing equipment from the

West was recently impounded. Everyone attending the Dresden conference, organised

by the West German Bergedor-

fer Discussion Group at Ham-burg, knew that East Germany

was on the brink of an envi-

What had changed was not

the ominous reality outside, but East Germany's admission

that it faced a big environmen-tal challenge.

The East German authori-

ties had publicly conceded

until recently no more than

that the country's dependence

on highly pollutant brown coal for all its electricity had pro-duced a "complicated" situa-

mental data.

ronmental crisis.

ing from the early 1900s.

and water.

#### **OVERSEAS NEWS**

# Moscow defends decision to rule disputed region

THE KREMLIN'S decision to impose direct rule from Moscow on the disputed Caucasian region of Nagorno-Kara-bakh is an unprecedented step forced by the inability of the Soviet republics of Armenia and Azerbaijan to end a year of ethnic strife, says the man named to run the territory.

Mr Arkady Volsky, special envoy of the Communist Party Central Committee to the region, will take over all local authority from the regional council and executive commit-

tee until new elections.

This is a snub to the nationalist ambitions of Armenians who have been campaigning furiously for Nagorno-Karabakh to be transferred to their republic from neighbouring

There is to be no change in the status of the region, whose majority Armenian population has been on strike for most of the last year to demand such a transfer. Even so, many Armenians are convinced that direct rule will lead to the region being taken from Azerbaijan. For now, rule from Moscow

will give the region effective self-government for planning, budget, material and technical supplies, and personnel appointments, Mr Volsky said, thus removing virtually all essential decisions from the Azerbaijan administration.

He defended the "reasonable and mutually acceptable compromise" in an article yesterday in Pravda, the central committee newspaper. "The problems in the region had become so large and urgent that the efforts of Azerbaijan and Armenia were not enough to solve it. The territorial claims of one nation cannot be resolved without frustrating the interests and rights of other nations. To do so would lead to a new storm of blood-

shed and violence."
In recent weeks disturbances seem to have abated, with the imposition of virtual martial law in key towns.

A big investment programme, launched by Moscow last July, has been hamstrung by protests, and by accusations that each side was using pro-jects for nationalist purposes.

#### Soviet Union makes offer on Barents Sea boundary

By Karen Fossii in Oslo

NORWAY has received an offer from the Soviet Union to "alter moderately" proposals for the most northern Soviet boundary in a 155,000 sq km strategically vital zone of the

The zone has been the site of a boundary dispute between the two countries for 18 years. Moscow's offer signals a more flexible stance by the Soviet Union, which, one year ago, rejected an offer by Norway to administer the disputed zone as a joint area.

The dispute concerns a clear and decisive demarcation, and

Moscow has insisted on a line following the meridian due north from the western edge of the Soviet coastline, while the Norwegians back a line equi-distant from each country.

Norway has been willing to compromise, but hitherto, Moscow has refused because, it contends, the Norwegian formula would give Norway a dis-proportionately large share of the Barents Sea.

The Barents Sea, which has seen a build-up of the huge Soviet northern fleet, also represents Nato's strategically important northern flank.

### Greenspan denies big rise in US inflation

By Peter Riddeil in Washington

present accelerating signifi-cantly, Mr Alan Greenspan, with co-ordination among the chairman of the Federal Group of Seven industrialised Reserve, claimed yesterday.
"But having said that, it i

not all that helpful in deter-mining what policy stance one should take," Mr Greenspan said in a newspaper interview." He stressed, however, that "it really is important that we make certain that we don't allow inflation pressures to emerge. The central focus of what we are doing at the Fed is to keep inflation from accelerating and preferably decelera-

ting.

Mr Greenspan claimed a change had happened since the early 1980s which would keep a lid on prices and wages. Many forecasters had missed elements in the adjustment pro-cess such as the impact of imports, and changes in labour

His comments came as the Bush administration, which takes office on Friday, completed key appointments at the Treasury. Mr David Mulford, an assistant secretary since 1984, has been promoted to Under-Secretary (international

US INFLATION is not at affairs), where he will be a cencountries and with debt prob-

> Mr Mulford's place as assistant secretary for international affairs is going to Mr Charles Dallars, who has been since 1984 the US executive director of the international Monetary

There is speculation that Mr Robert Hormats, a banker with long international experience, might join the State Department. Mr Donald Atwood, vice-chairman of General Motors, has emerged as the favourite to take on the role of deputy secretary of

defence.

The importance of the defence budget for attempts to reduce the Federal budget deficit was underlined yesterday by Senator Jim Sasser, Democrat chairman of the Budget Committee.

He expected the Bush admin-

# Soviet troops 'will quit Afghanistan on schedule'

THE commander of Soviet Kabul, that every effort was forces in Afghanistan said in a television interview broadcast yesterday that all his troops would leave by February 15. This seemed to fall "We are striving for the would leave the country by mid-February on schedule, Reuter reports from Moscow.

"By February 15 the with-drawal of Soviet troops from Afghanistan will be entirely completed," Lt-Gen Boris Gro-Meanwhile, Mr Eduard Shev-

visit to the Afghan capital,

By David Buchan in Brussels

RELATIONS between Belgium

and Zaire, its former colony, have taken a further turn for the worse, with Zaire renounc-ing its aid agreements with

Brussels and stopping pay-ments on Belgian loans. Bel-gium has responded by halting all new development plans in

After a cabinet meeting on Saturday the Belgian Cabinet

said it would carry out only aid projects aiready started in

Zaire. It criticised Zaire's freeze

on debt repayments to Belgium and rejected as "without foun-dation" the various complaints

of President Mobutu and the central committee of his ruling

Popular Movement for the Rev olution party which last week held a special plenary in Kin-shasa on relations with Brus-

sels.
Mr Wilfried Martens, the
Prime Minister, warned Zaire

By Andrew Fisher in Frankfurt

MR GERHARD Stoltenberg.

the West German Finance Min-

ister, has said he sees no cause

for a rise in German interest

rates at present, either for eco-nomic or exchange rate rea-

He made the comment dur-ing his US visit to Washington

late last week. In addition, he

said currency developments in Europe did not make a realign-ment necessary in the Euro-

pean Monetary System.

Mr Stoltenberg's remarks
thus appeared to rule out any
possibility of a rise in the 3.5

per cent discount rate on

Thursday, when the Bundes-bank holds its fortnightly

council meeting in Frankfort. Tentative speculation about a possible rise in rates this

week has been sparked by the

danger that a weaker D-Mark ary credit policies.

Stoltenberg rules out early

German interest rate rise

ardnadze, Soviet Foreign Min-ister, sald in ending a surprise

ary 15. This seemed to fall short of the general's firm com-

The minister also stressed that the Soviet Union would continue its arms supplies to the Kabul Government even after troops had left.

"Neither we nor President Najibullah [of Afghanistan] want the Soviet troops to be delayed," Mr Shevardnadze

said in an interview with the

Belgium halts development plans

at a weekend press conference

that its moves "would not con-tribute to its international

credibility", and that measures

such as its debt repayment

moratorium and limits on land-

ings in Zaire by Sabena, the Belgian carrier, "will frighten off other partner countries and

would-be investors". It cer-tainly appears to reduce the chances of Zaire reaching early

agreement on new loan conditions with the International

Monetary Fund.

However, Mr Martens said he was still willing to go ahead

with a Belgo-Zairean ministe-

rial conference planned for April in an effort to heal rela-

The row started in November when Kinshasa reacted

angrily to a spate of Belgian

press stories, timed to coincide with Mr Martens's trip to

would hinder the fight against

interest rate policy will come interest rate policy will come tomorrow when it decides which method to use for its regular securities repurchase ("Repo") agreements with commercial banks. The "Repo" rate has been kent at 5 per cent in

has been kept at 5 per cent in the past few weeks, following the latest rise in the Lombard rate to 5.5 per cent.

Economists in Frankfurt feel the Bundesbank will await US

developments before moving

further on interest rates. A fur-

ther tightening of US monetary

policy, they argue, could prompt the German central

bank into increasing its own key rates - the discount and the Lombard - to reinforce its

An indication of Bundesbank

renewed inflation.

in retaliation against Zaire

His remarks were relayed by the Soviet news agency Tass. "We are striving for the withdrawal to facilitate the reestablishment of peace and not to be the signal for new

fighting," he said. However, he added: "If a war is imposed on the Afghan government, it will be forced to counter with force of arms -

He seemed to be referring to the Mujahedin Afghan rebels who have fought the Kabul

and incompetence among Mr Mobutu and his officials.

Government requested its nationals to sell their assets

and abandon their studies in

Belgium. But the real argument seems

Subsequently, the Zairean

Government, with US and other aid, since the Soviet Union's intervention in

Afghanistan in late 1979. "The present regime has every opportunity to hold fast and, in case the war goes on, Soviet arms supplies will also be continued," Mr Shevardnadze said.

The first half of the estimated 105,000 Soviet troops had withdrawn on schedule at mid-August 1988, but there has been growing speculation that the full withdrawal might be delayed because of growing pressure on Mr Najibullah by rebels.

The rebels said last Monday they were breaking off talks on setting up a broad-based government with Mr Najibullah's People's Democratic Party of Afghanistan, and had rejected the Government's offer of a

ceasefire.

According to reports by
Tass, clashes have continued
in much of the country and the rebels are now trying to stop supplies reaching the capital.

### Call to indict ex-mayor of **Palermo**

called for the indictment of Mr Vito Ciancimino, a former Christian Democrat party leader, who, they allege, had an illicit income in the 1970s exceeding L3.5bn (£1.5m) a

According to Italian press reports, the junior state prose-cutor in Palermo, Mr Alberto

export of capital.

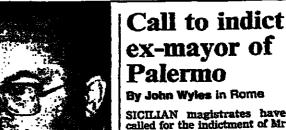
The case against Mr Clancimino is of great potential significance in Italy since he was one of the handful of people who controlled the Sicilian Christian Democrat party from the mid-1960s to the early

Judge De Pisa alleges that Mr Ciancimino used his position to further the commercial interests of the Mafia and that by means of bribes, shareholdings and collusion in the placing of public contracts, he was pocketing at least L300m a month in the 1970s. month in the 1970s.

under house arrest since 1984 and details of the charges against him emerged on the same day that regional prosecutors throughout the country were opening the new judicial year with summaries of the state of criminality in Italy.

ties of the ever-present Mafia.

 Mr Ciriaco de Mita, the Italian prime minister, met top union leaders at the weekend to open a dialogue aimed at averting a general strike called by the unions for January 31. The unions have vociferously condemned the govern-ment's tax proposals as "iniq-



De Pisa, is recommending pros-ecution of the man who was mayor of the Sicilian capital for a few months in 1970, on charges of association with the Maria, corruption and illegal

Mr Ciancimino has been

These were uniformly gloomy in highlighting the growing problems of drugs, juvenile crime and the activi-

Martens: warned Zaire on its

Their personal status, and trade, could be affected by the latest turn of events. Zaire last

week renewed its complaint

about its relative lack of pro-cessing facilities for copper, much of which is refined in

to centre on money. Kinshasa has already described as inadeinternational credibility quate Mr Martens's offer to book", long settled by treaty write off one-fifth of Zaire's debt to the Belgian state and to etween the two countries. There are about 4,000 Belconsider taking rescheduled repayments on Zaire's BFr17bn commercial debt underwritten working on aid programmes, and some 15,000 Zaireans in Belgium, of whom 3,000 to 4,000 are students, many on Belgian government grants.

Zaire is now re-opening claims against Belgium predating the Congo's independence in 1960, and has stopped current debt payments to Bel-gium while these old claims

For its part, Belgium said this weekend that it regarded the pre-1960 claims as "a closed

### Spanish air strike may disrupt flights this week

By Peter Bruce in Madrid

IBERIA, the Spanish national airline, is expecting to have to cancel hundreds of domestic and international flights this week, as a rolling strike by its maintenance staff begins to

The airline's maintenance union, Asetma, has struck eight times since Christmas, the last time on Friday, when Iberia was forced to cancel 123 of its 443 planned departures. The strikes so far are thought to have cost the airline Ptas2.5bm (£12.3m).

Further strike action is planned for January 20 and 27, and the union has threatened to continue in this vein until Easter. Asetma is striking to try to secure separate pay bargaining for its 800 members. The row with the maintenance the planned flotation on the Madrid and Barcelona.

stock market of a part of Iberia by the Spanish Government next year.

hext year.

Although the union is officially striking only on certain days, maintenance delays are affecting all flights.

The airline sacked 79 work-

ers, including the entire strike committee, earlier this month, and their colleagues are now refusing to stand in for them, adding to delays in turning aircraft around. The sackings have led to calls inside the union for the strike to be made

Iberia has begun drawing in maintenance personnel from airports outside Spain, where it does technical work on its own aircraft. This is unlikely to prevent up to 100 flights a day being cancelled this week. The

tion. However, an appalling toll in damage to buildings and land – to health above all – forced a change. The ruling Communist Party now acknowledges that some thing must be done quickly. Even so, it remains allergic to pressure from below.

The walls of the Zwinger, whichhouses art freasures at

Dresden, are being corroded by gases from the power sta-tion. East Germany claims to have no funds to instal extra anti-pollution "scrubbers", beyond the one now nearing completion in East Berlin, nor for appropriate technology from the West.

This is where West Germany enters the picture. The Bonn Government is prepared to provide East Germany with anti-pollution equipment, Mr Martin Gruner, West Germany Parliamentary Secretary for

the Environment, said.

Some form of joint finance might be found later, if the dialogue between the two Germanies on political and humanitarian questions continues to show results.

None of the Germans was keen to talk at the conference about what could be embarrassing environmental details. As for other eastern Europe-ans - from Poland, Czechosiovakia, and the Soviet Union they were not even mildly surprised by what they saw. Their own environmental disasters, they freely admitted, were far

A study by the Polish Academy of Sciences has openly referred to 12m Poles living in ecological "emergency" areas.
The worst are the Katowice
coal and steel belt, and Krakow, whose nearby steelworks
belches formes. Europe's highest sulphur dioxide emissions were measured here. The death rate in the afflicted areas is twice the normal rate

Small wonder that a Polish specialist attending the confer-ence appealed for a European environment bank to finance an effort to rescue eastern Europe from its pollution. The eastern Europeans look enviously on the East Ger-

mans because of their many links with Bonn. They also look to Bonn to help the Esst combat its ecological time-

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# Nato and Warsaw Pact pave way for stability talks

THE "mandate" of the conventional force reduction conferees, which was adopted by the 23 Nato and Warsaw Pact countries in Vienna as part of the concluding document of the Conference on Security and Co-operation in Europe (CSCE), does no more than state the general objectives of the negotiators. However, although the details of the

substantive talks, namely the Conven-tional Stability Talks which are to start in Vienna at the beginning of March, remain to be decided once these begin, the terms of reference agreed at the weekend spell out important principles on which these later negotiations will

istration would cancel the 2
per cent real, inflation-adjusted, increase in defence spending proposed by the outgoing Reagan administration.

be based.
Unlike the moribund Mutual and Balanced Force Reduction Talks, which have dragged on inconclusively for 15 years and must be formally ended

The subject of the negotiations will be the participants' conventional landbased armed forces. Naval forces and chemical weapons will not be involved. The mandate document makes no specific mention of military aircraft, which the Soviet Union would like to see included, but which Nato wants to

The document is left deliberately ambiguous on how "dual-capable" weapons, which can be used in a conventional or nuclear mode, will be dealt with. It says only that no conventional armaments or equipment will be excluded from the negotiations "because they may have other capabili-

before the Conventional Stability Talks can begin, the latter will cover the European area from the Atlantic to the of weapons "will not be singled out in a separate category". Ways to negotiate reductions of the conventional parts of dual-capable weapons have been left to

> tions will be to strengthen stability and security in Europe by reducing conventional forces and arms to equal levels a principle on which the Western states have always insisted. The 16 Nato members have also managed to include a specific reference in the mandate to the need to eliminate disparities between the alliance's forces and those of the Warsaw Pact, as well as to eliminate, as "a matter of priority", the capability to launch surprise attacks.

The main objective of the negotia-

make a unilateral cut of 500,000 personnel in its forces over the next two years and remove 10,000 tanks from the western part of the Soviet Union and three eastern European countries.
Peter Riddell adds from Washington:
The incoming Bush administration yesterday signalled that it wanted a

The CST were enhanced last month

when President Mikhail Gorbachev told the UN that the Soviet Union would

breathing-space to review its relations with the Soviet Union
One result is likely to be a delay in the resumption of strategic arms talks beyond the previously arranged date of mid-February and to put back until the early spring, at the earliest, any meeting between Mr James Baker, US Secretary of State-designate, and Mr Edward. tary of State-designate, and Mr Eduard Shevardnadze, Soviet Foreign Minister.

# Volvo's chief prepares for a challenge without a rush

Robert Taylor finds the most powerful employer in Scandinavia both relying on his home base and ready to adapt Mr Gyllenhammar argues

dinavia's biggest com-pany, for the past 17 years, Mr Pehr Gyllenhammar is a businessman with a coherent European strategy for the future. He was well aware of the growing challenge of the European Community to the Nordic area long before the EC's commitment to the cre-ation of an internal market by 1992. Indeed, he was a rare voice until recently in Swedish business circles because he was trying to alert everyone to

As the most powerful employer in Scandinavia, he enjoys closer personal contacts with the European Commission in Brussels than perhaps even the Swedish Government

S HEAD of Volvo, Scan- stage that the 1992 commitment would revitalise the EC in a way that its industrial competitors outside could not afford to ignore.

In an interview with the

Financial Times, he made clear that Volvo's future lay inside the EC, whatever happened to relations between Sweden and the Community during the 1990s and beyond.
"We will take some quick

moves to safeguard our pres-ence and our identity in the EC," he insists, if Sweden and the EC fail to move closer together over the next few years. This would not involve the closure of any of the com-pany's existing production facilities in Sweden but would mean acceleration in the move-ment of future key investments

and he recognised at an early to the Community. Appointment in LONDON CITY

that the recent decision to establish a finance company in the Netherlands must not be interpreted as the first sign of a pan-European programme that would mean the economic disengagement of Volvo from Sweden. However, nobody should doubt his determination to protect and extend the company's activities inside the EC.

"Volvo must invest where
our markets and customers

are. We have every intention of

staying in Sweden, but the company's growth will take place more in the Community.

We already have car, truck
and bus production inside the Community. We can adjust our capacity if necessary and con-centrate even more of our resources there. There would be a problem with components but that would not be insolu-ble. We would establish our own component network inside the EC if we had to," he says. Volvo bought Leyland Bus last year and so ensured that the company produces more than half its buses in plants outside Sweden and inside the EC. Now it is looking around Europe for acquisitions to add to its lucrative trucks division. With an estimated Skr24bn (£2.18bn) cash available, the

company is well placed to launch a big bargaining pro-



western European power base. Mr Gyllenhammar does not believe, however, that Swedish business should rush into the 1992 challenge. He dislikes what he calls the "feverish interest" in all things EC that has gripped Sweden during the past 12 months after a long period of indifference. For now, he is convinced

eign policy.
On the contrary, Mr Gyllen-hammar believes the EC

that the Swedish Government will prepare the country through economic and fiscal change to harmonise with the EC. "The pace of change is quickening," he argues, point-ing to the backroom work being done between government departments in Stockholm to ensure domestic legis-lation is devised in line with what occurs in the Commu-Just over a year ago he dif-fered publicly with his arch-rival in business, Mr Peter

Wallenberg, who had

suggested Sweden should apply for EC membership. In Mr Gyllenhammar's view, that would be inept and unrealistic. He believes that, "for all practical purposes", Sweden will be inside the EC by 1992 because it will "do everything to adopt, adjust and harmonie." He does not think that Sweden's political neutrality should prove an impossible

obstacle to a new relationship with the EC, whatever many politicians on the left might suggest. In his opinion, it is not in the EC's interests to push Sweden into further isola-tion by making an issue out of the country's traditional for-

should want to maintain the country's economic and industrial development for the future well-being of western Mr Gyllenhammar is also

convinced that the EC will not develop as a protectionist club, which would hurt Nordic trade. "I see no signs of For-tress Europe," he says. The speech at Bruges in November by Mrs Margaret Thatcher, the UK Prime Minister, had his cautious approval. "It had a sense of history and raised the classic issue about the balance between the need to preserve

national sovereignty and that of wider co-operation."

On the other hand, he has deep sympathy for the views of Mr Jacques Delors, the EC Commission president, particu-larly on the need for a social dimension inside the Commu-nity, although he has no desire to see any co-determination system, in the West German style, foisted on to Swedish

industry. Volvo is easily the biggest private sector company in Scandinavia. For more than 30 years it has tended to dwarf the rest of the area. However, it is no invincible giant. Mr Gyllenhammar's

European strategy is tinged with more than a element of self-defence. In recent months there has been well-researched speculation in the Swedish business press about the com-pany's financial weaknesses, which could make it attractive to a potential buyer or rival

group.

The respected Swedish business magazine Affarsvariden estimated that Volvo was worth SKr40-50bn instead of its stock market valuation of about SKr27bn. "We talk about our own vulnerability more openly than other companies talk about theirs," he admits. "Perhaps we send out signals to the market that are too

strong. However, in the short term, there is very little we can do about the takeover possibili-Mr Gylleohammar acknowledges that the company is undervalued, but he believes it

deserves a much higher price earnings ratio than that of a pure auto-maker because Volvo is more diverse, with food, financial and stock portfolio operations. "Financially we are very sound. We have never been in better shape." He admits there are grounds for argument about the modest dividend that Volvo pays its shareholders - 14 per cent of profits compared with 26 per cent for the 22 Swedish compa-nies with the highest stock trading volume - but Mr Gyl-lenhammar adds: "Our policy has never been to lower our dividends, even in rough times." However, Volvo's rather conservative attitude may well change.

The Volvo commitment to

Europe seems to go far beyond a mere concentration on the company balance sheet. To Mr Gyllenhammar at least, coming to terms with the EC is part of a much wider idealistic com-mitment that will bring Swe-den and that will bring Sweden and the rest of the Nordic area into a new harmony with the rest of the continent of FINANCIAL TIMES

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#### OVERSEAS NEWS

REACTION TO HAY DAVIDSON REPORT

# HK may amend securities bill

THE Hong Kong Government is considering amending its new Securities and Futures Commission Bill in an attempt to placate international and local brokers who fear the pro-posed watchdog will slow the colony's securities markets

with over-regulation.

The amendment would be included in the introduction to the bill, published yesterday as the Government's main legisla-tive response to the Hay Davison report on Hong Kong com-missioned after the October 1987 world markets crash. Debates on the bill start in the colony's legislative council

required to promote the concept of self-regulation by Hong Kong's stock and futures exchanges, enshrining in the legislation a principle which the Government has said it wants to encourage. This could help to defuse a growing row between the stock exchange and the commission.

In its present form, the bill requires the commission only to promote the development and "efficient and orderly conduct" of Hong Kong's markets, to "secure the integrity of the participants", and to protect the investing public.

Under the amendment, the new commission would be an excessively large annual

budget of HK\$140m (\$18m) to China's National People's Conpay for a staff of 225.

China's National People's Congress for a further period of

It fears that Mr Robert Owen, a former British diplomat and banker who is to be the first chairman of the new commission, is interested in creating a powerful regulatory body, rather than concentrating on the task of encouraging the exchanges to regulate

Protests against plans for the Basic Law which will gov-ern Hong Kong after the col-ony reverts to Chinese sover-eignty in 1997 are likely to increase, after completion over the weekend of the law's sec-

ond draft, The draft will now go to

#### Argentina's | ruling party candidate starts tour

By Janette Staubus in **Buenos Aires** 

MR EDUARDO Angeloz, MR EDUARDO Angeloz, Argentina's governing Radical Party presidential candidate, arrives in Madrid today for the start of a five-nation tour of Europe. Over the next three weeks, he will meet government, business and trade union leaders in Spain, France, Italy, Switzerland and West Germany, and on January 26 will address the World Economic Forum in Dayos, Switzerland. Forum in Davos, Switzerland.

Mr Angeloz's trip follows the
European tour made by Mr
Carlos Menem, the opposition
Peronist candidate, in October and November of last year. Mr Menem is the favourite in the run-up to Argentina's May election. The most recent opin-ion poll gives Mr Menem 37 per cent of the vote, compared with only 30 per cent for Mr

Angeloz.

The 30 per cent rating is a leap from the 17 per cent he received in polls taken three months ago. His growing popularity is largely due to his skill at distancing himself from the administration of President Raul Alfonsin; which is seen as

a failure by most Argentines.

Mr Angeloz has made clear that he thinks the Government has moved too slowly in dis-mantling the inefficient, deficit-ridden structure of state businesses. He is presently calling on the Government to give an explanation for the energy crisis currently crippling Argentina.
In Europe – where he will

meet Mr François Mitterrand, the French President, Mr Felipe Gonzalez, the Spanish Prime Minister, Mr Helmut Kohl, the German Chancellor, and Pope John Paul II.

Mr Angeloz hopes to gain prestige and be seen as the guarantor of continued democracy in Argentina. According to sources at his campaign headquarters in Buenos Aires. he will advertise his orthodox economic policies and promote investment in Argentina, capi-tal on which his Government's success would depend, were he to be elected.

#### Uganda presses for Amin's return

UGANDA is to step up diplomatic pressure for the extradition of Mr Idi Amin, the former dictator, from neighbouring Zaire, government sources said on yesterday, Reuter reports from Kampala.

Ugandans are estimated to have died in massacres

### Children among dead as Israel takes harder line on uprising

By Andrew Whitley in Jerusalem

THE FULL impact of the Palestinian uprising in the Israeli occupied territories was finally felt at the weekend in Arab East Jerusalem, annexed by Israel in 1967.

Several troubled districts of the capital have been placed under curiew since last week, in what the authorities agree is a charge of policy.

a change of policy.

In the Silwan district, sandwiched between the Old City
and the Mount of Olives, the

security forces have taken advantage of the round-the-clock curfew to arrest suspected activists. Yesterday there was no indication of when the curfew would be lifted, and reports from the area said food supplies were

running low. In the meantime, Palestinian children as young as 12 years old have been among the exceptionally large number of demonstrators reported by local hospitals to have died over the past few days. Hospital records show that eight youngsters have died of wounds resulting from army gunfire since Thursday alone. Two of them – Ahmed Abdel Salam from Tulkaram in the West Bank, and Hanadi Abu-

Sultan, a resident of the Beach refugee camp in Gaza - were not even teenagers.
Several of the victims were shot in the head and chest at

close range with rubber and plastic-coated steel bullets.

reflecting what appears to be a charge of instructions on open-ing fire. Witnesses to recent confrontations in the West Bank and Gaza Strip say soldiers are opening fire much more readily nowadays, pre-sumably reckoning that the results will not be fatal.

Rising concern at the num-ber of deaths from plastic bullets emerged at yesterday's Cabinet meeting, where a senior Intering, where a senior Labour politician, Mr Moshe Shahal, asked Mr Yit-zhak Rabin, the Defence Minis-ter, what guidelines were in force for their use. Before resorting to plastic bullets, Mr Rabin was the butt of criticism from abroad over methods

#### EC ministers in talks on conflict

Office Minister.

By Andrew Whitley

MR Francisco Fernandez Ordonez, the Spanish Foreign Minister and current president of the European Community's Council of Ministers, held talks with Israeli leaders yesterday, amid mounting Israeli allegations of European bias in favour of the Palestinians in the Middle East conflict.

The Spanish Minister, who said he was on a fact-finding mission, will be followed to Israel soon by Mr Roland Dumas, the French Foreign Minister, and Mr William Waldegrave, Britain's Foreign

Mr Waldegrave had talks with Mr Yassir Arafat, leader of the Palestine Liberation Organisation, in Tunis at the weekend. It was the first meet-ing between a British minister and Mr Arafat, and Mr Waldegrave afterwards urged Israel to grasp the opportunity for a

He said even Mr Yitzhak Shamir, the Israeli Prime Minister, was once regarded as being involved in terrorism before taking part in peaceful institutions. "They [the

Israelis] should have confidence that there are people on the Palestinian side who can take the same courageous

step," he told BBC radio.

Israeli leaders are worried by
the prospect of being pushed
into negotiations by the Europeans. On the eve of the Span-ish minister's visit, Mr Shamir spoke out in exasperation at west European attitudes. "The Europeans say in

a Palestinian state, and this negates our existence as a

#### Perez names Venezuela's cabinet By Joe Mann in Caracas

MR Carlos Andres Perez. Venezuela's president-elect, at the weekend announced the names of key members of the Cabinet who will be installed when he assumes office on

February 2. The Ministry of the Interior,

Development and and Ms cal scene and businessmen Fanny Bello, Minister of Agri- who in the past have called for Ms Iturbe. 49, formerly was

president of a commercial bank and currently is Vice Minister of Finance. Mr Rodriguez, 35, is an economist and university ssor who is a key economic adviser to the presi-The incoming president

reportedly will name Mr Edgard Leal, a Venezuelan oil industry executive, to be in charge of renegotiating the Government's \$25.6bn foreign debt. Mr Leal, formerly a banker, is currently president of Bariyan the greeness purof Bariven, the overseas purchasing arm of Venezuela's national oil company, PDVSA. Mr Perez broke with recent custom by naming most of his Cabinet prior to taking office. Among the 20 persons appointed are a number of new faces on the Venezuelan politi-

wide-ranging reforms in the Venezuelan government. For example, Mr Naim, a 36-

year-old professor at Vene-zuela's most prestigious gradu-ate school for business studies, IESA, has been a longtime critic of government ineffi-ciency in Venezuela. He has been given the task of actively promoting industrial growth by running the highly-bureaucratic Ministry of Develop-

ment.

Two other appointments announced by the president-elect were defence, which will be held by the present Minister of Defence, Gen Italo del Valle Alliegro of the army, and the presidential chief of staff, which will an to Mr Reinaldo. which will go to Mr Reinaldo Figueredo Planchart, 50, a former president of Venezuela's Foreign Trade Institute and a

close adviser of Mr Perez. **Killings report contradicts Government** 

Lusinchi, and has raised questions about the activities of Venezuela's security police.

some interesting insights into government bungling on eco-nomic policy. Sixty per cent of

total government income comes from the taxation of pet-

rol, tobacco, alcohol and soft

The sharp fall in aggregate

demand during 1988, precipi-tated by the elimination of con-sumer subsidies and the free-

ing of price controls, is thought

to have produced an uncalcu-lated parallel slump in govern-

ment income, due to the high

dependence for revenue on

When pressed by opposition legislators on whether spending cuts this year might not deepen the slump and further

throw out revenue calcula-

tions, Mr Hupper could give no reassurance other than to say

indirect consumer taxes.

#### Portugal's **Socialist Party** elects new chief By Diana Smith in Lisbon

gress for a further period of consultation before being pub-

Drafters have introduced

conditions which would make it more difficult for a proposed

referendum to be held in the year 2012 about whether Hong Kong should have full electoral

uffrage. Liberals in Hong Kong want referendum to be held imme-

diately and argue that the new conditions might mean one is

The meeting also failed to agree on designs for a flag and

emblem to be used after 1997 from a shortlist of 12 designs chosen from 7,000 entries in a

PORTUGAL's much-delayed constitutional review now enters a more active phase after emergence at the week-end of a new Socialist leader, Mr Jorge Sampaio.

As Portugal's second largest party, committed to streamlin-ing an over-centralised economy, the Socialists are instrumental in parliamentary debate and approval of a scheme to reduce the Marxist element in the 1976 Constitu-tion that upheld sweeping nationalisation and clipped the

wings of the private sector.

Mr Sampaio, a lawyer and senior Socialist, was yesterday elected Secretary-General by two thirds of delegates at a special Congress called after abrupt resignation from the leadership of Mr Vitor Constancio, a prominent economist and former Governor of the Bank of Portugal. Claiming he had been under-

mined inside the party, Mr Constancio stepped down after steering crucial constitutional review talks between his party and the ruling Social Democrats that were a prelude to full parliamentary debate. The debate could not begin until the Socialists found a

new leader. Mr Sampaio is considered a European-minded, pragmatist eager to bring suucess to his party, whose strong support in the 1970s fell to just 24 per cent of the votes in the last election.

# European Union advocated

A EUROPEAN Union, based on the present Community but including a common defence and foreign policy, is advo-cated in a report\* published today by a group of senior Brit-

ish foreign policy experts.

The group was chaired by Sir Michael Palliser, a former Permanent Under-Secretary of the Foreign and Common-wealth Office, who contributes a foreword. Its members include such impeccable estab-lishment figures as Sir Anthony Kershaw, formerly chairman of the House of Com-mons Foreign Affairs Commit-tee, Sir Bernard Burrows, formerly Britain's Permanent

Representative to Nato, and General Sir Hugh Beach. All are said to support the "broad thrust" of the report, written by Mr Christopher Lay-ton; which sketches a bold and broad-ranging strategy for Europe, going well beyond what the present British Gov-ernment seems willing to

envisage. Western Europe, it argues, should "seek to develop a com-mon security relationship with the Soviet Union and eastern Europe," playing a full part in future East-West arms reduction agreements and adopting

tures and technology, plus a minimum deterrent" as the "hasic common doctrine for the western Alliance in Europe." In an interim phase, west European countries should integrate their defence by establishing a common market for defence equipment, while a "hard core" of states willing to do so would "develop security and foreign policy co-ordina-tion" through existing institu-

tions.

"non-aggressive defence pos-

"Western European Union could usefully be strengthened and reformed, so that it becomes the organ for European consultation before Nato Council meetings." WEU would thus "act as a bridge between the EC and Nato," while Nato's European activities (Eurogroup and the Independent European Programming Group) would become WEU's "operational

In the second phase, starting in 1992, a new Treaty, approved by both the European Parliament and member states, would bring defence and foreign policy into the Community, enabling France and Spain to join the defence

pean partners "without further

inhibition". The US, it is suggested, would find a major shift of this kind towards greater Euro-pean strength and unity more acceptable than niggling minor attempts to modify the balance of the Alliance".

The Council of Ministers would "invite their general staffs to draw up a European Defence Concept, in dialogue with the Americans," possibly assigning different defence roles to different member

The report also advocates developing political and eco-nomic links with eastern Europe, leading eventually to full membership for East European countries which accept "basic democratic libertles and political human rights".

The Soviet Union, as a major world power, "would not be an appropriate member" of the EC, even if it became democratic," but it would be natural, then, for the Community to

ral, then, for the Community to develop a special relationship with it", as with the US.

\*A Step Beyond Fear: Building a European Security Community. Federal Trust for Education and Research (1a Whitehall Place, London SW1A 2DA) Price 55 2DA). Price £5.

**SHIPPING REPORT** 

# Demand still high in most areas

By Kevin Brown, Transport Correspondent

DEMAND remained high in most loading areas last week. Rates softened slightly overall, but brokers said there was still no sign that reduced output quotas agreed by the Organisa-tion of Petroleum Exporting Countries had taken effect.

Gulf was for very large crude carriers (VLCCs). Around 15 such fixtures were reported representing around 4m dead-weight tonnes. However, around 35 vessels of some 10m dwt remain available for January liftings. Brokers said most of the

business was fixed between Japanese charterers and owners. Typical deals were 245,000 tonnes to Japan at New World-scale 59, and 220,000 tonnes to the same destination at New Worldscale 62.5

Iranian charterers were again in the market for VLCCs for delivery to the West. Some of these deals were privately arranged, but brokers said most fixtures were being con-cluded at around New World-

Elsewhere, business was said to have remained strong in the West African loading areas, where the old Worldscale sys-tem is still in use. Rates fell slightly, but several million barrel vessels were reported to have been fixed for North American delivery at around Worldscale 80.

Rates fell more heavily in the Mediterranean and the North Sea, where there was said to be an oversupply of available tonnage.

Charterers were paying just over New Worldscale 100 for the 80,000 tonnes cross-Mediterranean voyage, and around New Worldscale 140-145 for the typical stem of 67,000 tonnes from the UK to Northwest

Andrew Whitley and Anthony McDermott look back 10 years to the fall of the Shah

rest, the 59-year-old ruler explained to his weeping gener-als, gathered at Mehrahad airport to see him off, as they always had.

engineering the departure of one of its closest allies, an absolute monarch who had ruled his land for over 87 years. The Carter Administration was much too muddled in its goals towards Iran for that, although there was coup talk in the air, encouraged as it later transpired by Mr Zbig-

niew Brzezinski at the National Security Council, but Indeed, until the last minute the US embassy was debating the niceties of clause of the constitution the Shah would leave under — holiday or some sort of regency arrangement. But almost all of those present at the airport that bitingly cold day must have known the Shah would not return.

In the face of the awesome demonstrations - 2m, perhaps even 3m-strong - which had become such a regular feature of the social calendar that winter, the army was crumbling fast. In those last days of the ancient regime, le tout Tehron

joined in the awesome rivers of humanity which streamed down the hills from the swan-kier northern suburbs, and upwards from the bazaar dis-trict and meaner quarters

stretching south towards Qom. All would converge on cen-tral Shah Reza Avenue and ad out to the monument the Shah had built to mark 2,500 years of the Iranian monarchy. For weeks, Mr William Sullivan, the US Ambassador, and Sir Anthony Parsons, his British counterpart, been urging the listless monarch to leave the country - in the interests of preventing further blood-Precious time was lost as the Shah painstakingly went

through the legal motions of creating a Regency Council and appointing another Prime Not that there were many contenders for the post. The flery blasts emanating from

Ayatollah Ruhollah Khomeini in Paris made sure of that. The man who eventually agreed to make the transition possible, Mr Shahpour Bakhtiar, an oldschool nationalist, became the Kerensky of the Iranian Revo-

Minutes after being sworn in by the Mailis, the Iranian Par-liament, he flew to the airport to see the Shah off. His term of office lasted less than a month. There had been no definite word in advance that this would be the day, the climax of an 18-month-long campaign first to cut the Shah down a few pegs and then, only later, to push him off his perch. So, when the two helicopters clattered across Tehran from



Niavaran palace in the direc-Niavaran palates in the three-tion of the airport few paid them any particular attention. The day had begun like every other for months: with the search for petrol, the unwitting rich paying people to queue their cars up for the fuel. The oil workers' strike may

have been a decisive weapon in the revolution, but it certainly hampered the movements of those, like the hundreds of foreign journalists in town, who needed to get around and see for themselves what was hap-pening. Agha Mehdi, the slowwitted but loyal FT driver from the Arabic speaking, oil-rich part of south-west Iran, was thus at his usual place, waiting hopefully beside the office Pey-



kan in an enormous, snaking When the Shah's Boeing 707

finally roared off into the sky, the monarch himself at the controls, there was a brief, incredulous pause for breath. Then the radio flashed the Then the radio hashed the news and the huge city, spread over the snow-covered Elborz Mountains, exploded with joy. Cars crammed full of cheering cars crammed that of cheering men and women – some, for the first time, openly carrying guns – raced up and down Pahlavi (soon to be renamed)

Where before soldiers had had to endure abuse, in that afternoon of social happy con-vulsion they were ducking

from sweets being thrown at them as they rode by as new-born heroes. The FT, through its close connection with the BBC, made its own contribution to the revolution - much to the discomfiture of the British embassy. BBC broadcasts both in English and Farsi were closely listened to. The FT/ BBC's telephone number was written up on the walls of the bazaar for those who wanted to feed in information about arrested relatives, Kurds or political developments in distant parts of the country. In an inspired touch straight out of a Jacques Tati film, one

Peykan drove past with its begloved windscreen wipers waving rhythmically to the thickening crowds. There was even one flamboyant renegade who rode down the white line in the centre of the road between the otherwise station ary, hooting cars, standing on the seat of his mega-motorthe seat of his mega-motor-cycle, waving as he went. Kisses for foreigners from veiled ladies were dispensed.

Newspapers brought out spe-cial editions. One used its larg-est type, the kind reserved for the outbreak of World War Three, to print a two-word ban-ner headline "Shah Raft" — the Shah has gone.

Whatever was going to hap-

Whatever was going to happen next - and no one, not even Ayatollah Khomeini's closest aides, knew - for one day did not matter.

#### WORLD ECONOMIC INDICATORS INDUSTRIAL PRODUCTION (1985 = 100) % change over Oct '88 116.6 Nov '87 111.5 year +5.0 +2.8 +8.6 Nov '88 117.1 Sept'88 112.1 106.9 113.7 Sept'88 111.4 109.7 Oct '88 +22 +24 +5.8 Source: (except US) Europte

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the country's second most important job after the presidency, will be held by Mr Alejandro Ezaguirre, 64, who is now secretary general of Democratic Action (AD), the ruing government party. The Minis-try of Foreign Affairs will go to Mr Enrique Tejera Paris, 69, an AD official who has held a wide range of international

posts.

The top ministers in the area. The top ministers in the area of economic activity will be Ms Eglee iturbe de Elanco, Minister of Finance, Mr Miguel Antonio Rodriguez, Minister of Planning, Mr Celestino Armas, Minister of Energy and Mines, Mr Moises Naim, Minister of

By Our Caracas Correspondent A multi-party subcommittee of

the Venezuelan Congress

released a report at the week-end which suggested that 14 fishermen were massacred by

Venezuelan soldiers and secu-

rity police in a border incident, and contradicts government

assertions that the dead men

were dangerous terrorists

FOR the first time since the

Sandindistas came to power

nine and a half years ago, the veils have been lifted on the

parlous state of public finances

in Nicaragua.

In his first budget speech to the National Assembly late last week, Mr William Hupper, Finance Minister, revealed that during 1988 the public sector deficit amounted to 27 per cent of GNP which was financed and the ball of the memorary emission.

entirely by monetary emission.

It was the biggest deficit since the Sandinistas came to

power in 1979, and largely

explains the almost surrealistic inflation rate - an estimated

In presenting the 1989 bud-get. Mr Hupper said that "there

will be a drastic reduction of

spending" this year and that "major efforts will also be

50,000 per cent last year.

occurred on October 29 on a branch of the Arauca river in an isolated section of the bor-der between Venezuela and

Venezuelan military and security chiefs involved in the operation said that the men were heavily-armed guerrillas who planned to blow up Veneilled in a shootout.

Zuelan oil installations in the
The shooting deaths area and kidnap cattlemen to

income". Tax evasion by the self-employed and agricultural producers "has become gener-

alised", he said, adding that these sectors will be specially

targeted by tax inspectors this

This year's deficit is to be

reduced from 51 per cent of total spending in 1988 to only 13 per cent of a planned budget

(It was left unclear the pre-cise exchange rate being used but it is thought to be about

Cordobas 200-300 to the US dol-

lar). Mr Hupper said that this year's deficit would not be

financed by monetary emission but by foreign donations and

by the Central Bank which in turn would "recover" the nec-essary Cordobas 38bn from the

of Cordobas 285bn in 1989.

obtain ransom.

A military judge recently ordered the arrest of the 20

men, including soldiers and security police, who fired on the fishermen.

The incident has caused a political flap for the outgoing government of President Jaime

agricultural producers if the budget plans are carried through. The calling in of Cordobas 38bn in loans will hit farmers who are the biggest users of bank credit.

A simultaneous effort to make them pay taxes could spark a farmers' rebellion, paralysing farm production on which the country depends for its export earnings.

The more probable scenario is that the Government will

back down in the face of threats to cut production, as it has in the past, and resort once again to monetary emission. Some 36 per cent of this year's budget is to be spent directly on defence and security, a reduction on previous years. This may have to be adjusted depending on the progress of peace talks and a political accommodation with

# Veil lifted on Managua's parlous finances

leader, who slipped out of exile

Mr Amin flew to Kinshasa from Saudi Arabia, where he

# The Kampala Government wants to question the deposed

in Saudi Arabia early this month, about human rights abuses and killings.
Officials say that Mr Amin
could face charges relating to
his eight-year rule from 1971
when hundreds of thousands of

had been living in exile since being driven out of Uganda in 1979. Zairean authorities said he used a false Zarrean pass-port. Zaire refused to allow Mr Amin to enter the country, and flew him to Senegal in a pri-vate jet, to enable him to catch a Saudi Arabian flight from there last week. But Saudi authorities barred Mr Amin from boarding the plane and he was returned to Kinshasa.

#### that direct taxes would rise. The Government is likely to nationalised banking system through foreclosure of loans. ede to broaden the taxation reported in the Middle East The budget figures provided run into stiff opposition from base and increase government Cold day in Tehran that marked the end of an era

EN YEARS ago teday an era came to an end. The Shah of Iran, Mohammed Reza Pahlavi, accompanied only by Empress Tehran for "a holiday abroad". He was tired and in need of a

always had. Although the Shah and his supporters were convinced where the blame lay, the US did not take any credit for

Presentation in



#### CBI/FT DISTRIBUTIVE TRADES SURVEY

# Sales slow as rates rise begins to bite

By Raiph Aikins, Economics Staff

RETAIL SALES growth eased in December, and retailers are gloomier about trade this month than in any period for at least five years, according to a survey released today. The Confederation of British

Industry/Financial Times dis-tributive trades survey sug-gests that the steep rise in interest rates last year may have started to bite. However, it will be several months before any change in trend in the strong growth rate since summer is clear.

The survey comes at the beginning of a week rich in statistics on the UK economy, including figures for inflation on Friday.

London's financial analysts will be looking for signs that economic growth is slowing and inflationary pressures abating in the run up to the March Budget.

A further guide to retail sales at the end of last year will come from Department of Trade and Industry figures

RAPID GROWTH in retail sales may be

showing the first signs of running out of

momentum, according to the CBI/FT survey, writes Ralph Atkins.

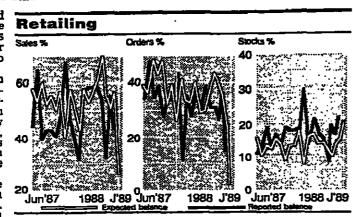
The figures follow several months in which the results have jumped around and often conflicted with signals emerging

Department of Trade and Industry. Christmas and publicity surrounding

attempts by Mr Nigel Lawson, Chancellor of the Exchequer, to use interest rates to slow consumer spending might have affected sales and retailers' expectations.

Bringing forward January sales to December might also have distorted the figures.

The survey shows that 45 per cent of retailers expected sales this month to be higher than the corresponding period a



Figures hint at slackening of trade boom

year before, while 19 per cent forecast a fall. The difference between the two percentages, a balance of +26 per cent, was the lowest ever recorded.

Mr Nigel Whittaker, chairman of the survey panel, said: "Expectations suggest that higher mortgage rates have really begun to bite but the bringing forward of new year sales may have overstated their impact to some extent."

For December, the balance reporting that sales were higher than the corre-

sponding period a year ago was +43 per cent - less than expected when retailers

were surveyed last month.

December's balance was also lower than

the balance of +54 per cent noting increases in November but higher than the +32 per cent in October. During the sum-

age earnings, money supply, and manufacturing output. The CBI/FT survey shows that growth in sales volumes last month fell short of retailers' expectations and was less

rapid than in November. However, sales were still relatively strong, suggesting that retailers' worst fears about

rialise. Volumes could have been boosted by new year price-cutting being brought forward into December. Mr Nigel Whittaker, chairman of the survey panel, said the survey suggested it was "a disappointing Christmas" for

some retailers. He said: "While the majority significant minority reported lower sales. There was undoubtedly a marked moderation in the rate of sales growth in the final months of last

were higher than a year ago, a

Out of 273 retailers replying 61 per cent reported sales vol-umes were higher last month than in the corresponding month a year before. Some 18
per cent said they were lower.
Expectations for January
were far more pessimistic than forecasts for December and

lower than for any month since the survey began in 1983. Of the respondents, 45 per cent expected sales to be higher this month than the corresponding period a year before, while 19 per cent expec-ted a fall.

The survey shows that retailers expect only modest growth in orders this month.

Wholesalers are more pessi mistic about January than at

any time since December 1984, but motor traders are optimis-

mer, the balance reporting sales increases

The survey shows that a balance of just +3 per cent expect to place more orders in

January than the corresponding period a year before – the lowest ever recorded. That compares with a balance of +15 per

cent reporting increases in December.

A question about whether sales were good for the time of year showed that

December figures were not as good as in November and retailers foresaw a further

For both December and January, gro-

cers were most positive about sales growth. Retailers of household textiles,

furniture and carpets were among those reporting lower sales in December than a

often approached +60 per cent.

deterioration in January.

#### **Securities** houses face costly law on records

By Kenneth Gooding

UK SECURITIES houses face substantial costs because of planned legislation which may require them in some circum-stances to provide transcripts of all the tapes which routinely record telephone conver-sations in their trading rooms. One large securities house said the requirements would not only be extremely costly but would also be "a nightmare for compliance officers." Each securities house has a compliance officer whose job it is to make sure that all the

rules are followed. The securities house said the planned rules could start a new business for qualified tape translators and transcribers in the City of London.

ers in the City of London.

The potential scale of the problem has been brought home recently by the Department of Trade and Industry (DTI) investigation into possible insider dealings in shares of Consolidated Gold Fields, diversified mining group, in the six months ahead of the hostile £2.9bn bid by Minorco, South African-controlled investment company, last September.

DTI inspectors have told members of the Securities Association, part of the City of London's self-regulatory structure, that all records, docu-ments, tapes and office diaries relating to any transactions in Gold Fields shares during the whole of 1988 should be "held

in safe custody."

The securities houses' more general concern stems from Section 51 of the Companies Bill currently making its way through parliament. Among other things, the Bill strength-ens the powers of DTI inspec-

# Employers look abroad for recruits to prepare for 1992

• Peat Marwick McLintock.

the accountancy group, is studying the options for recruiting a considerable num-ber of graduates on the Conti-nent and then bringing them

to Britain to train as chartered

accountants.
Mr Philip Kirkby, the firm's
Brussels-based director of professional development, points

ates to train as chartered accountants. This means the proposal should be attractive

tered accountants in their home country. Mr Kirkby said

Peat Marwick was likely to

By David Thomas, Education Correspondent

LARGE BRITISH companies are considering recruiting graduates from Continental Europe in a bid to prepare themselves for the single mar-ket in 1992 and also to get round the decline in 18-20 year olds expected in the early

British graduate recruiters are also increasingly worried about the reverse pro-cess - large Continental com-panies seeking to recruit Brit-ish graduates.

only a few pioneering com-panies have taken a firm deci-sion to recruit Continental graduates for their UK training programmes, but the idea has programmes, but the idea has recently emerged as a serious issue among large employers. Initiatives under way include:

• ICL, Britain's largest computer company, is aiming to take 70 Continental graduates this year, divided between two

ICL hopes to recruit 20 Con-tinental graduates as part of its normal annual scouting visits to British universities. It is also asking its Continental subsidiaries to supply about 50 graduates for a new Britishbased international training

programme.
These 50 graduates will spend a year in Britain training as managers before return-ing to the ICL subsidiary in their home country. Mr Peter

training schemes from univer-Forbes, ICL's head of graduate recruitment, said the move was integral to ICL's plans for 1982. sities in Ireland, one of the few countries in Europe hat expec-"Within three years or so, it will be just as comfortable for us to recruit graduates from Düsseldorf or Madrid as from Aberdeen or Manchester," Mr ted to suffer a demographic downturn in 18-20 year olds.

Ms Helen Perkins, chairman of the Association of Graduate Recruiters and until recently Recruitors and unto recently in charge of graduate recruitment at British Steel, said: "I expect to see many more british recruiters catching aircraft to Dublin for the Milk Round (scouting visits) this year."

This upsurge in interest has led to the formation of Federa, a pan-European association of university careers officers and graduate recruiters.

to two advantages. First, Britain is almost unique in Europe in allowing arts gradu-A series of seminars has also been held in London on inten-national graduate recruitment.
The first, recently attended by almost 100 careers officers and graduate recruiters, was told of worries by British blue proposal should be attractive to arts graduates in countries such as West Germany.

Second, a recent EC agreement on mutual recognition of professional qualifications means that Continental graduates, once qualified in Britain, can secure recognition as chartered accountants in their chip companies that British graduates were wide open for recruitment by their Continental competitors.
A major concern was the

Peat Marwick told the semi-nar that its starting salaries for graduates were £9,350 in London, compared with £12,000 in Belgium and the Netherlands, £15,000 in West Germany

# launch the scheme next year. British Steel is among a small group of employers which has recently started recruiting graduates for its UK Unilever chief warns France joins companies over single EC market

By Christopher Parkes, Consumer Industries Editor

BRITISH companies which are not already established in markets on the European conti-nent face an uphill struggle if they want to succeed there after 1992, according to Mr Mike Angus, chairman of the UK half of Unilever, Anglo-Dutch consumer products

group.
"If they are thinking about then I starting from scratch, then I think they have left it too late," he said in a recent inter-

He also warned that European Community officials and politicians were doing the Community and themselves a disservice by insisting that completion of the internal market necessarily entailed the introduction of an international currency and a European hank. "It's a load of balo-

ney," he said.
"It is like being offered a
game of chess with a woman
and told this will lead to mar-

Directors of many large busi-nesses had asked him what they should do to prepare for the demolition of trade barriers and market harmonisation. "All I can say to them is 'do you realise the enormity of the task in front of you?"

"They need the cadre of European management we have built over the past 50 years. They need to learn the languages and how to deal with bankers, taxation and

Unilever started its prepara-tions in 1962, more than 10 years before Britain joined the EC, Mr Angus added

Manufacturing of many of its products, such as detergents, soap, chemicals and vagetable oils was already being concen-trated in large factories to ser-vice the whole community.

According to Mr Mike Heron.

European regional director, it was not often realised that the long process of disposing of unwanted businesses and refin-ing the group's interests down to "core" interests had been almost entirely a European enomenob.

European Unilever's operations had been through "a lot of pain," be said. In 10 years the UK workforce had been reduced from 90,000 to 38,000, with up to 30,000 of the ses attributable to productivity increases.

The story was similar in the Netherlands, with West Germany and France also affected. The 'big brand' people, Page 8

KUWAITI-FRENCH BANK

# telepoint licence bid

and France, and more than £22,000 in Switzerland.

By Lies Wood

COMPAGNIE Financière Four La Radio Teléphone (Cofira), the French telecommunications company, has joined the Telecom Corporation, a consortium set up to bid for a tele-point licence in the UK.

point licence in the UK.

Eleven groups, mainly cussortia, have put forward proposals for telepoint, the mobile
telephone service to be
launched in Britain this year.

The service has aroused a
high level of interest mainly
because of the financial success of cellular car telephones.

The Government has set The Government has set a limit of four telepoint licences.

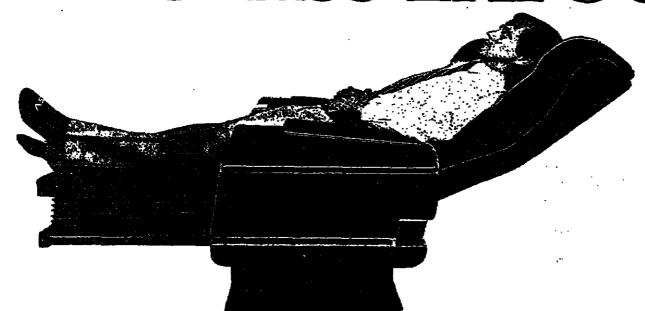
Coffra is licensed to set up a competing cellular network to France Telecom in France.
France Telecom recently joined British Telecom's consortium bid for a telepoint

Mr Michael Davis, chairman of The Telecom Corporation, said: "I see the involvement ( Cofira as another successful step towards Britain leading a European and world market for telepoint which was

invented in Britain.
"Britain has moved fast to open the telepoint opportunity by issuing licences and I'm pleased that our company is being picked by leading Euro-peans as a partner for a British first to be developed abroad.



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(Manchester) 061-833 9575.



The Board of Directors of the KUWAITI- risks will be covered up to 40 % of their total FRENCH BANK convened on December 20, 1988, in order to examine the provisional

its of the Bank as at the end of 1988. The gross income of the KUWAITI-FRENCH BANK, before depreciation, provisions and income tax, is estimated at FF 125 million, i.e. much higher than the gross income of the financial near 1937.

This figure, which the Directors consider as nely satisfactory, is the result of the following activities and operations, some of which present an exceptional nature, such as :

a significative increase in real estate operations, generating an increase of the net interest margin, of lead manager's commissions

a development of financial engineering

the completion of the lease-back operation on the Bank's Head Office premises. This operation shows a net capital gain of FF 45 million which will appear in the results of the Bank.

It should also be noted that the gross result estimated as at the end of 1988 takes into account the settlement of the Al Saudi Banque restructuration. As a matter of fact, the KUWAITI-FRENCH BANK, as a creditor and on the account of the market's solidarity, decided to choose the solution of the cash payment of its contribution, among the alternatives given to French banks by the Banque de Prance.

These elements having been fully considered, the Board of Directors decided to carry on with its policy of prudence and to allocate a large part of the profit to the constitution of additional provisions. It is thus worth noting that country

Finally the net income could reach a level such as a dividend in accordance with the quality of the Bank's results could be declared, should the Annual Meeting of the Shareholders find it

Furthermore, the Board of Directors of the KUWAITI-FRENCH BANK has decided to appoint as from January 3, 1989, Mr Jean-Claude EMPEREUR as General Manager of the Bank and Mr Jean-Luc HERRENSCHMIDT as Deputy General Manager. These appointments take piace in the frame of the new organization which will be set up, further to the wish expressed by the French shareholder of the Bank, CREDIT INDUSTRIEL & COMMERCIAL DE PARIS, to entrust MP Philippe DUIARDIN with the Augustian Philippe DUIARDIN with the new responsibility of the CIC de PARIS Financial Engineering Department.

Mr Philippe DUJARDIN will remain Deputy Chairman of the Board of Directors of the KUWAITI-FRENCH BANK. He will continue, in this respect, to assume the responsibility of soveral Committees, such as the Strategical Committee for the Bank and its group which will be not up at the handsolve of the party of the will be set up at the beginning of the year,

Last, the Board, speaking on behalf of the Shareholders of the Bank - CREDIT INDUSTRIEL & COMMERCIAL DE PARIS, the ALAHLI BANK OF KUWAIT, the COMMERCIAL BANK OF KUWAIT, the RIPUAIT PRAIL RETAINS and BRADE RUWAIT REAL ESTATE BANK and PEARL OF KUWAIT INVESTMENT COMPANY ... has confirmed the goals of the KUWAITI-PRENCH BANK which should develop in the following fields:

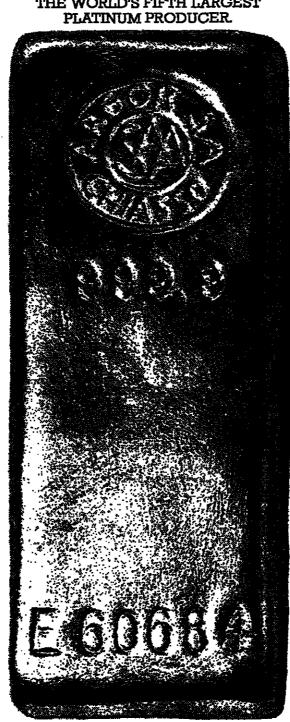
· French and international commercial banking. - real estate investment banking. - financial engineering

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telepoint



# Tories face battle over ID cards for soccer fans

By Charles Hodgson

THE GOVERNMENT is bracing itself for a political storm over the much criticised plan for compulsory identity cards for football fans when the bill paving the way for the scheme is published tomorrow.

The bill, to be introduced in the Lords, is assured of a rough reception at Westminster, where a substantial num-ber of Tory backbenchers have joined Opposition MPs to pro-test against the plan, and a crossbench alliance of peers is expected to seek big chang

The scheme, proposed by Mr Colin Moynihan, Sports Minister, with strong backing from Mrs Margaret Thatcher, has run into fierce opposition. Objection have come from a range of public bodies, including football authorities, sup-porters' clubs and players, the Police Federation and data pro-

tection authorities.
The British Tourist Authority will today join the protest, warning that the scheme will discourage foreign supporters and affect off-season tourism.

Mr Roy Hattersley, Labour's Home Affairs spokesman, yes-terday issued a lengthy state-ment accusing the Government



Roy Hattersley: issue is violence outside grounds

of seeking to "look tough" but failing to address the funda-mental issue of violence out-

side football grounds. Critics of the scheme argue that the introduction of secu-rity measures, such as closed-circuit television and a ban on the sale of alcohol, has sharply reduced trouble on the terraces and that the main difficulty is violence outside the grounds. Mr Hattersley said the membership scheme, which would

require supporters to carry a computer-readable card to be fed through a terminal at the turnstiles, would lead to delays and frustration at the gates, increasing rather than reducing the risk of violence.

Mr Neil Kinnock, the Labour leader, is to meet representa-tives from the football world today to discuss co-ordinating opposition to the scheme.

The Government said yesterday that fans in Scotland would not be forced to join the

The proposal has again raised suggestions that some form of compulsory or volun-tary national identity card tary national identity card scheme should be introduced. Mr Douglas Hurd, Home Secretary, is understood to be considering the introduction of a voluntary system and is due to meet the Association of Chief Police Officers, which favours a compulsory national scheme. Mr Hattersley indicated that Labour would support a voluntary national identity card. A private member's bill providing for a compulsory identity card tabled by Tory backbencher Mr Ralph Howell will

bencher Mr Ralph Howell will be debated next month.

# Nuclear safety 'will not be sacrificed'

By David Green

NUCLEAR SAFETY will not be sacrificed for the sake of econ-omy when the electricity supply industry is privatised, a senior Central Electricity Generating Board official has told the Hinkley Point C nuclear

power station inquiry.
Mr Richard Taylor, head of the board's health and safety strategy branch, said that from a commercial view it was imperative that nothing

led operation.

approach.

occurred to prejudice the future of nuclear generation. He believed that would apply as much to National Power, which will own all the nuclear power stations in England and Wales after privatisation, as it did to the present CEGB.

Objectors to the Hinkley project suggested last week that, under privatisation, profit might influence the allocation of money to safety measures.

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Mr Crispin Aubrey, for the main regional opposition group, Stop Hinkley Expansion, said safety measures cost more in the nuclear industry than in other industries. Mr Patrick Hanson, for the Electrical Power Engineers' Association, claimed the Gov-ernment's Health and Safety

Executive would scrutinise the

industry's attitude to safety in

the run-up to privatisation.

#### Promise to cut public sector waste of energy

MR CECIL PARKINSON, the

MR CECIL PARKINSON, the Energy Secretary, yesterday promised a government campaign to reduce energy waste in the public sector.

Speaking on BBC Television, Mr Parkinson said the promotion of energy conservation and efficiency would be a vital plank of government plans to protect the environment.

protect the environment.
Emissions from coal-fired power stations are seen as one of the key factors behind the dangerous warming in the earth's atmosphere – the so-called greenhouse effect. Mr Parkinson rejected recent comments by Mr Nicholas Rid-ley, the Environment Secre-

ley, the Environment Secretary, that fast expansion of nuclear power should go ahead on environmental grounds.

Mr Ridley's statement is known to have provoked considerable annoyance in the Department of Energy and Mr Parkinson yesterday emphasised that the Government's commitment to nuclear energy went no further than to mainwent no further than to main-tain the 15-20 per cent propor-tion contributed to total elec-

tricity generation by nuclear power. Mrs Margaret Thatcher fully agreed with that. He also ruled out unilateral action by the UK to reduce sig-nificantly emissions from its coal-fired stations. Unless it acted in tandem with a wider international effort, such a move might seriously disad-vantage the economy.

The campaign to promote fuel efficiency in central and local government was last week accepted at a meeting of senior ministers. The public sector spent about £18bn each year on energy and Mr Parkin-son said he wanted savings.

# Airworthiness check finds wiring fault in Boeing 757

By Kevin Brown, Transport Correspondent

A BOEING 757 operated by the holiday airline Air 2000 was found to have faulty wiring yesterday after airworthiness

yesterday after airworthiness checks ordered by the Civil Aviation Authority.

The checks followed an incident in the US when a fire in the rear cargo hold of a Royal Brunei Airlines 757 was wrongly indicated to the pilot as being in the forward hold.

A similar fault was subse-A similar fault was subsequently identified on a Delta Airlines 757 after checks ordered by the US Federal Avi-

ation Administration. ation Administration.

The Air 2000 aircraft was fly ing again last night after the fault was rectified. The CAA said it was "a simple matter of two plugs in the "grong sockets, which has the effect of giving wrong information to the pilot."

Air 2000 is part of the quoted

Air 2000 is part of the quoted Owners Abroad Group. It was set up last spring and operates two Boeing 757s, mostly on charter flights to popular Medi-

clean bill of health to 39 of the 44 UK-registered 757s. Checks on two more were expected to be completed by this morning. Two other aircraft are under-going long-term maintenance. The CAA said the checks on

The UAA said the checks on Boeing 757s were unrelated to the disaster at Kegworth last week, when a British Midland Boeing 737-400 crashed on the MI with the loss of 44 lives.

The crashed aircraft is being pieced together by the Transport Department's Air Accident Investigation Branch (AAIB) at its research centre at Farnborough, Hants, but no conclusions are expected soon The aircraft's two CFM-56 engines, made by General Electric of the US and Specima of France, were being dismantled yesterday under heavy security at Snecma's plant at Villar-oche, south of Paris. Two AAIB investigators

were working with French technicians in a workshop where all windows and all but terranean destinations. one door had been welded shut
The CAA said it had given a to prevent interference with

the engines. The Transport Department said the investigators were still trying to find out the sequence of events that caused the air-

craft to crash.

Reports that Captain Kevin
Hunt, the pilot, had been
cleared were described by the department as premature, although it was emphasised that that did not mean that evidence of pilot error had

The CAA said checks had revealed no faults in the wiring systems of the four UK-regis-tered Boeing 737-400 aircraft, 33 737-300 aircraft, and a number of Airbus A320 aircraft with CFM-56 engines.

Checks on the engines them-selves have been ordered to be completed within 50 flying hours. No faults have yet been

• Mr John Prescott, Labour's transport spokesman, called for a top-level conference on aircraft security after newspaper and television reports on shortcomings at Heathrow.

#### Tougher rules for civilian air shows

By Michael Donne, Aerospace Correspondent

TOUGHER RULES for the allowed to take part only if conduct of British air shows will be introduced from the end of this month.

The move comes in response to public concern about accidents that have occurred at overseas air shows, such as that at Ramstein, West Germany, in August. In that dis-play, 69 people were killed when an aircraft ploughed into the crowd.

In future, civilian air show organisers must get written Civil Aviation Authority permission and comply with any special conditions laid down, while civilian pilots will be

they have CAA authorisation.
The CAA will check, before granting permission, that the organiser is properly qualified and has competent organisa-

tion and staffing.

The CAA will also need to be satisfied that pilots are suitably experienced and physically and mentally fit before granting any display authorisa-

Where foreign military aircraft are planning to partici-pate in civilian air displays, the CAA will consult the Ministry of Defence as to the acceptability of the proposed display.

The rules will not apply to the MoD's establishments

(including those used by the US Air Force and visiting forces), which cover the biennial Farnborough air shows organised by the Society of British Aerospace Companies but held on the MoD's premises at the Royal Aerospace Establishment.

The MoD already controls air displays on its own property, (whether the organisers are civilian or military), with rules that are regarded as "at least as stringent as those now introduced by the CAA."

### Architects to seek £1.2m for advertising campaign

By Philip Rawstorne

ARCHITECTS throughout ings is no longer the sole pre-Britain are being asked this week to help raise £1.2m to fund a national advertising and marketing campaign for

the profession.

"The current poor public image of architects is damaging the future business of the profession," says a campaign prospectus issued by a Pioneer Syndicate of 31 firms of archi-

The campaign, endorsed by the Royal Institute of British Architects and other archi-tects' organisations, is partly a response to the controversy stirred by Prince Charles and will see an end to the very others about the the quality of high levels of growth of new

postwar buildings. business to surveyors, design-and-build operators, interior designers and other design

consultants.

An estimated 30 per cent of new projects undertaken by contractors do not involve "Even the design of of build-

serve of architects," says the prospectus. "New marketingdriven consultants have pene-trated the design services sec-Research commissioned by

the Cities of London and West-minster Society of Architects in 1987 showed that 41 per cent of reponding clients believed other professionals could offer an equivalent service to architects. Of these, 73 per cent specified surveyors.

The latest RIBA quarter construction forecasts and job leads survey predicts: "1989 commissions seen recently."

The profession is concerned that it is losing traditional business to surveyors, designcent. The housing, industrial and public sector markets will be generally static.

Only 34 per cent of architects surveyed expected more work this year, compared to 49 per cent in the previous quarterly

#### Industry 'in dark' on gas

BRITISH industry has been try pays more for gas in "kept in the dark" over cheaper gas prices enjoyed by many of its European rivals, than most other EC countries. many of its European rivals, according to the head of the Office of Gas Supply, the Government appointed watchdog.

Launching a report comparing industrial gas pricing policy in Britain and other EC countries, Mr James McKinnon, Ofgas director general, seem indept "Our industrialists."

says today: "Our industrialists Belgium 20p.
have been kept in the dark too All those countries have a have been kept in the dark too long by British Gas over prices paid for gas by their competi-tors at home and abroad."

Larger users are particularly hit — those consuming 1m therms a year paying between 28p and 34.5p a therm in Britain last year. In the Netherlands they paid the equivalent of 16.6p a therm; Italy 18.6p; France 23.9p and in Belgium 20p.

ong by British Gas over prices aid for gas by their competions at home and abroad."

The report shows that indus-

### Request for EC regional aid to total about £2bn

By Hazel Dully

THE GOVERNMENT will this spring be submitting to the European Commission regional plans which it hopes will qualify for about 12th of ussistance over the next three years.

For the first time, it will also be asking Brussels to contribute regional help for Gibraltar. Proposals have been agreed upon by the Gibraltar Government and discussions can also be expected to take place with the Spanish Government.

the Spanish Government.
Under the new regulations for the European regional development, social and agricultural funds – known as the structural funds – governments of the European Community must submit plans ments of the suropean com-munity must submit plans after consulting with their local and regional authorities. The amount available to the three funds will have doubled by the end of 1992. They are the main instruments through which Brussels hopes to redress some of the regional imbalances in the Community.

As well as having more money at their disposal, the arrangements aim to give more continuity to regional develop-ment by concentrating resources and assuring their

resources and assuring their flow over several years.

About 80 per cent of the regional development fund will be distributed to the underdeveloped parts of the Community, mostly southern Europe, but also all of Ireland. The UK will heres to do wall gut of the still hopes to do well out of the fund under the section that identifies older industrialised areas as candidates for aid. Kent and the Nord/Pas de Calais region of France will be

submitting projects for assis-tance related to the Channel tunnel. A special fund of up to tunnel. A special fund of up to Ecu 100m a year has been set aside in the regional total to nid cross-frontier projects.

Whitehall is also supporting plans put together by local authorities in inner London in an attempt to gain access to the fund. The participation of local authorities in the process local authorities in the process has been insisted upon by Brussels, somewhat to the embarrassment of the UK Gov-

ernment, which had been reducing their role in economic development. Most of the authorities involved are Labour-controlled. It is the European Commission, however, not Community governments, that will decide on the areas that will be candi-

thates for Brussels money. As well as parts of London, areas in West Yorkshire, Nottinghamshire and Derbyshire, which are not designated areas of assistance by Whitehall, hope to be included.

The qualifying regions are expected to be identified by the Commission next month. UK local authorities and Whitehall will then begin drawing up plans for submission. About 20 such plans will be put together in the UK and sent to Brussels in March, with Brussels offi-

cials deciding by September.

Most of the regional development fund will go towards infrastructure projects. The social fund is concerned mainly with funding training. Assistance towards investment in marketing and processing agricultural products comes from the agricultural fund.

#### Ulster jobs fillip in DHSS move

HUNDREDS of jobs for Ulster are due to be announced today by Mr Tom King, Northern Ireland Secretary. The jobs fol-low a government decision to decentralise processing of social security claims from London.

Hundreds of jobs for Glas-gow and Wigan are also expec-ted to be announced in simul-taneous press conferences.

# Anderson Strathclyde may make further closures and cuts

By James Buxton, Scottish Correspondent

pleted review.

There is already deep concern among unions in the company that it may be planning further rationalisation and Anderson Strathclyde, which employs about 2,000 of its 3,500

worldwide workforce in Scotworking working in Scot-land, has been seriously affected by the reduced pur-chases from British Coal, which accounts for a large part of its market. The company makes long-wall coal cutting and tunnelling equipment. Since Charter Consolidated

acquired Anderson Strathclyde in 1983 for £92.5m after a bit-terly contested takeover which was referred to the Monopolies and Mergers Commission, the company's mining equipment sales have suffered from the effects of the 1984-85 coal miners' strike. It now faces the

ANDERSON Strathclyde, the mining equipment subsidiary of Charter Consolidated, is studying options for its future in the light of a recently completed review.

There is already deep conservatives are among unions in the company has closed a plant at Kirkintilloch, near Glasgow, and sold another at Glentricker. Fife. But Charter Conservatives. rothes, Fife. But Charter Con-solidated said the rationalisa-tions had not borne the fruit that had been hoped for.

Anderson Strathclyde lost 23.25m in the year to Septem-ber 1988. Charter Consolidated is concarned that the return on the capital it invested in Anderson Strathclyde has been less than 1 per cent, against a group target of 20 per cent. It gives the company a net worth of only £34m.

Mr Ian Little, deputy chairman and chief executive since 1980, abruptly left the company in November, to be replaced by Mr Jeffrey Herbert. That came shortly after Sir Michael Edwardes took over as chairman of Charter Consolidated. Sir Michael is deputy chairman. Sir Michael is deputy chairman and chief executive of Minorco.

which holds 36 per cent of Charter. Mr Herbert recently told the

workforce from Anderson Strathclyde's three remaining Scottish plants that the company was considering its options in the light of the long-term review, which con-sultants completed in the autumn. He said there would have to be changes but gave no warning of closures or redundancies.

Charter Consolidated said there would not necessarily he cuts in plant and the labour force but it did not rule them

Mr Campbell Christie, general secretary of the Scottish Trades Union Congress, said recently that "any cutbacks that restricted the capacity of Anderson Strathchyde to tackle world markets in the future would be disastrous for the Scottish engineering traductor." Scottish engineering industry.
He said there were fears in the company about Charter Consolidated's intentions.

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# IN THE NOISE of battle fought between the Bar and the Law Society, between "independent" barristers — please note the nawly introduced description — and solicitors fighting for privileges and monopolies as outdated as the wigs, a third and allently rising category of lawyers gets easily overlooked. They are the in-house lawyers, some 2,000 solicitors and 1,000 barristers on the staff of companies, central and local companies, central and local government, trade unions and

government, trade unions and all sorts of other public and private bodies.

In the US, staff lawyers attained an important position some 30 years ago. It is different in Europe.

Even though in Germany the "syndicus" has both professional status and an important role to play, in France and

sional status and an important role to play, in France and italy until recently lawyers lost professional status on entaring industry.

The UK is somewhere in between Until recently, staff barristers were treated by the Bar as unfouchable. They were not allowed to go to court, not even to the lower courts open to solicitors. If they wanted to brief a practising barrister — one working in chambers—they had to go through a solicitor. The Law Society also prohibited them from carrying out conveyancing, even for their employers.

That last restriction fell together with solicitors' conveyancing monopoly: under certain conditions, staff barristers are now allowed to do conveyancing for their employers. veyencing for their employers.

The Marre report on the future of the legal profession helped them to advance also on the other front.

# The rise of the staff lawyer with progress towards one happy family By A.H.Hermann, Legal Correspondent

The Bar Council recognised them as practising barristers, subdividing those, however, into two categories of independent and employed barristers. That re-labelling makes hardly may difference a step barrist. any difference — staff barris-ters are still kept apart — but the Bar has also revised its Code of Conduct in their

From January 1 1989, employed barristers have been able to appear in lower courts and may brief an independent barrister without having to go through a solicitor.

The Bar and the Law Society try to justify their reluctance to allow staff lawyers to provide to their employers the full range of legal services of which they are capable by using the argument that the employed lawyers owe their allegiance to the employer and not to the court as is the case with the court as is the case with the

There seems to be little substance in that argument. The employed lawyer would think twice before doing something unsthical or lie to the court, as it would damage his profes-sional status in the same way as it would that of an independent barrister er solicitor. True, the staff has only one client, his employer, and his interest will become identified with those of the employer, depending on the security of employment and the way he is treated by the organisation.

That is, however, not essen-tially different from the situa-tion of a solletor, or barrister specialised in a certain field of law, and dependent very much on the satisfaction of his cli-

The fact that the independent lawyer has several clients does not make much difference: if he upsets one, the other will soon learn about it. The duty to the court does not always prevent indepen-dent lawyers from being creative, comforting a desperate client by propositions, argu-ments and appeals unlikely to impress the court indeed, it is often the staff lawyer who has to keep the independent whom he commissioned on the nar-

row path of virtue, that is, within a budget.

The power which this gives to the individual staff lawyer employed by a large corporation - and consequently to the staff lawyers as a group - is well explained by Karl J. Mackie, a lecturer in law and social psychology at the University of Nottingham, in a book published today.

The growth of the staff law-yer's branch of the profession must be taken in part as a failure of the legal profession in its traditional form to service business need adequately, or at least to do so in an efficient and effective manner, writes Mr Mackie.

The old—time links between managers and independent lawyers still survive where the awyers suit survive where the company is too small to justify a legal department of its own. In the world of hig companies however, it is the staff lawyer who is the client of the independents, and he is in a much stronger position that was the manager, or the rich family ext. manager, or the rich samily cli-ent, because he understands the law business.

If he does not understand all the intricacies of a particular legal field right away, he will certainly learn it in a couple of years, picking the brains of not one, but several independents. The rising staff lawyers' group is represented in the UK by the Bar Association for Commerce, Finance and Industry, and the Commerce and

Group of the Law There are also more speciof the in -house lawyer as pro

-active.

The other important function left to the staff lawyers to perform, is the translation of legalese and of the intricacles of the legal system into plain language understandable by managers.

managers.
Staff also have, of course, their drawbacks and weak-nesses. One of them is the danger of being drawn into the committee type of decision making which plagues large organisations. The most cautious proposal is likely to prevail and the most cautious proposal is not always the best vail and the most cautious pro-posal is not always the best.

The other danger is that the head of the legal department will not find it easy to tell the chief executive that there is no go for his pet project.

Given the differentiation hetween the functions of the

alised associations of lawyers employed by the government and public bodies.

Similar professional associations of staff lawyers have existed in the US since the early 1950s and they mush-roomed in Europe in the 1970s. It would be wrong, of course, to assume that the rise in the status of the staff lawyer is due solely to his nower to hire and solely to his power to hire and fire the independents. He also fills a gap which was left open by the independent branches of the profession. between the functions of the independents and of the in -house lawyers, is there really any reason why the Bar and the Law Society should feel the need to keep staff lawyers out of bounds? The fear that they As Mr Mackie emphasises in his book, these are used to react to problems which their will take business away from the independents, concludes Mr Mackie, is no longer justichents bring to them. That is particularly true of the English profession; attorneys in indefied. He found in his interviews that "the general feeling was that the increasing numbers of pendent practice on the Euro-pean mainland still act often as in-house lawyers had altered the character rather than the the company adviser whose duty it is to keep it out of trouamount of work available for Such preventive lawyering in the UK has been partly sub-stituted by the services offered private practice... The routine work of drafting and

checking contracts had disappeared but it had been replaced by the increasing flow of spe-cialist requirements . . " And so, all lawyers can now be one happy family. Karl J. Mackie, Lawyers in Business and the Law Business, Mackie, who analyses this dif-ferentiation of functions on the

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#### MANAGEMENT

leadlines like 1992 and the scramble to meet them, is evolving into the single greatest influence on the strategies of the world's consumer goods makers, "This is not some thing in the stars or imaginary. It is revolutionary and arithmetical," says Mike Heron, European regional

director of Unilever.

The population of Europe has grown by 63m in the past decade, but it will increase by less than 10m between now and the end of the century. And, according to Evelyn Morgan, an associate at accountants Peat Marwick McLintock, the continent will have 25 per cent fewer 15-to-24-year olds, 37 per cent more middle-aged people in the US and 25 per cent more in Japan. Add in a shift which means that

from 20 per cent at present, the proportion of one person households in the industrialised west will go up to 30.35 per cent, and the head starts

Unilever, the largest consumer products company in the world, has found its own way of dealing with the basic European head-count problem. It has recently switched Turkey and its 50m population, currently growing at 1m a year, from its overseas directorate, and put it in Heron's portfolio.

But the group and its competitors face a far more complex task as they adapt to meet and match the changing habits which will accompany the ageing of Europe and America. They also have to contend with fragmentation which is threatening to erode traditional mass markets, and growing demand for less heavily-processed foodstuffs which in itself conflicts with rising pressure for even more "conve-nience" – both factors closely linked to demographic change.

The most urgent question exercis-ing most consumer packaged goods makers is the possibility of reconcil-ing the logistical demands and merits of economies of scale in these nominally huge markets, with the special needs of complex, fast-moving marketing-led busines

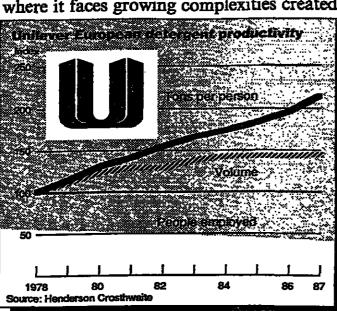
Unilever gives a graded response. Its speciality chemicals business is a clear case for scale economies. In common with other chemicals companies, its capital intensive nature and its production of components common to a wide range of indus-tries make it the ideal candidate. Accordingly, output of its oleochemicals, special starches, adhesives, fragrances and flavours has long

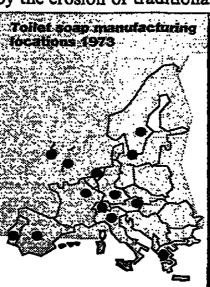
been managed on a global basis.

Tollet soap output has also been rationalised. From 13 in 1973, the number of factories in Europe next year will be down to three with a finishing plant in Portugal. In the US, a factory at Hammond, Indiana, will turn out 100,000 tonnes of bar soap a year when a current extension scheme is complete in 1990. Four US detergent plants make Consumer trends

# 'In the end we are big brand people'

Christopher Parkes continues his series on Unilever by examining its strategies for North America and Europe, where it faces growing complexities created by the erosion of traditional mass markets









1.1bn tonnes of powder and liquids a year and the number of work hours per tonne has been cut from 4.7 in 1983 to 3.1 last year; a further 10 per cent reduction is planned. Procter & Gamble, meanwhile, still has 10 factories, after closing

three in the past five years. Tea packing is another likely candidate for concentration in both Europe and the US.

Similarly, oil refining for the core margarine business lends itself to focused operations. Four main plants crush 25 per cent of the European rape and sunflower seed crops. But although the group accounts for about 30 per cent of global margarine production and 50 per cent in Europe, each country or region has its own expensive manufacturing and packing plants. In Europe, with 14 factories each trying to work at full capacity, there have been some tentative but unsuccessful attempts at co-operation.

There are product differences, such as Britain's preference for salty spreads, and the fact that Latta in the UK is a polyunsaturated fat product but not in the Netherlands. But Britain's Flora and France's Fruit d'Or are basi-cally the same. "We could make for them, and they could make for us," says Guy Walker, chairman of Van den Berghs, if it were not for differ-ences in packaging. "Every time our British market-

ing boys have a bright new idea it inhibits our ability to serve over-

the way future developments may move: "In the end we are big brand people and the quality of our decisions and how we structure ourselves means we shouldn't fiddle around. Give a brand manager half a chance and he'll fiddle around

seas markets."

with any number of small ideas." The case of the Timotei shampoo bottle illustrates the problems. Although ingredients vary around Europe, to suit varying climates and hair types, the bottle is the same everywhere . . . except in France. There, marketing staff decided the cap needed tweaking, added a millimetre or so, and unnecessarily complicated central pack sourcing and potential for

Mike Heron gives an indication of

cross-border supply.

By its nature, batch processing (commonly used in personal products and especially in food), as opposed to continuous operations (in chemicals and detergents), offers reduced scale economies from focused manufacture. Costs of distribution and stock holding also weigh heavily. "Speed of response and servicing of markets may give more advantages for us," says Mike Perry, main board director responsi-ble for world personal products.

Distribution costs are relatively low with high-value, low-weight products like personal products, so the savings on focused manufacture are reduced accordingly. Production accounts for only 7 per cent of total

costs in this sector, compared with marketing's 30 per cent.
As things stand, the group is making the most of its bulk-buying power for raw materials, food ingre-

dients, packaging and equipment.
There may also be strategic shufflings coming up to extract economies in the toothpaste business, which logically belongs in the deter-gents division. Procter and Colgate have already centralised European output of dispenser dentifrice which demands costly equipment. Even so, Unilever is still hesitant.

Mike Perry outlines the central dilemma: "I am very much of the mind that people's habits and preferences vary a bit between Wigan and Palermo, and it doesn't cut much ice with the lady if we are seen to be ignoring it," he says. Heron supports him: "If we forget the importance of local selling and

marketing we will rue the day. There is no fundamental conflict between these views and the more forceful declaration of Mike Angus, UK chairman: "We are aiming at focused, flexible production and fewer production units. The old national organisation of Unilever companies omnipotent in their own markets is going to have to change. They will no longer necessarily con-trol their sources of supply."

The task in hand is to flex the group's structure to meet all these

However, neither Unilever, nor any of its international rivals can

ignore the need to cater for the multiplicity of local preferences: that Italians still spread more mayon-naise than margarine on their bread, that people who soap and scrub themselves as much as the Americans have no need for Eurobubble bath and deodorant body sprays and that while the Japanese will eat only dark chicken meat, Americans would rather go without if they cannot have the white.
As Heron insists, success will go

to the company which sticks closest to its customers. There are no prizes for getting ahead of the market." he says.

In current and future conditions, there is ample evidence that market fragmentation will continue and even accelerate. In the US, for example, major companies are only just coming to grips with a country which has as many as 100 distinct regions with clear local preferences. Robert Womack, vice-president of

Tyson Foods of Arkansas, told a recent Peat Marwick conference in London that the demise of mass media in the US was as clear a sign as any of what was happening. National network television, which reached 90 per cent of US homes in the 1970s, was now received in only 70 per cent, and was increasingly being squeezed by local cable systems. National magazine circulations were at an all-time low. Of the many thousands of new

food products launched in the US in the past five years, only eight had

sustained annual sales of \$100m. Unilever's Ragu spaghetti sauce among them, which turns over \$500m a year, is marketed differ-ently in 60 different regions.

The possibility has to be considered that rather than France and Germany changing their dietary ways to move closer to the established mass market patterns of the US and Britain, with the food and distribution industries following the evolutionary path to concentration

evolutionary path to concentration seen in the past in these countries, the opposite could be the case.

All Unilever's preparations to shift up a gear in the food industry, which already accounts for about 60 per cent of group sales, indicate a major thrust into the new market for convenience foods, especially ready meals which need no more processing than heating and eating. processing than heating and eating. It is already well-placed in the fro-zen sector with the Birds Eye brand in Britain, Iglo elsewhere in Europe and Findus in Italy. But it sorely needs a presence in the US, and has yet to move anywhere in the fresh and chilled market which is widely tipped as the main future growth

area in all developed countries. Even though it has some suitable brand names, it has yet to show the manufacturing flexibility needed to switch from product to product at short notice. There are distinct trends which show that consumers demand a rapidly changing menu. While certain staple processed foods are likely to retain their popu-

larity, added value on the scale demanded by Unliever and its like increasingly lies in the type of short shelf-life recipe dish pioneered in the UK by Marks and Spencer. For manufacturers of Unliever's

For manuscriptes of unitately size, geographical spread, ambition and operational habits, this could imply either acquisition of local specialist manufacturers or technological advances which will allow it to serve these new markets from its existing structure. To serve the US nationally, for example, Lipton Foods wants technologies which will give shell lives of \$5 days. Present limits of harmon accordance and its ent limits of between seven and 10 days demand access to the sort of network needed for the distribution of dairy foods.

Because large reputations are at stake, acrupulous discipline is essential in distribution if the leading food makers are to prosper in these markets. The recent egg polsoning scare and concern over lis teria in ready meals in the UK amply illustrate the perils. Since such discipline cannot yet be guaanteed in the more fragmented US and continental shipping and retail trade, manufacturers must bear all the burden of care.

Meanwhile, the market re untapped. Domestic penetration of microwave ovens - ideal for the heat-and-eat sector - has raced away, reaching 75 per cent in the US and 40 per cent in the UK. But there are still relatively few manitype products with which they can cope effectively, even though they are often labelled microwaveable. Microwaveable products are being introduced at the rate of 400 a year in the US, but few last long. Foods for microwave ovens now account for 2 per cent of US grecery spending, but at the last count half of all sales in this sector were

accounted for by popcorn.

Peanuts it may be, but under pressure from Unilever, Nestlé. Kraft and Campbell's — all interna-tional majors seeking similar ends — the market is certain to grow at

However slowly the politicians move on initiatives like the comple-tion of the European internal market, manufacturing rationalisation is well under way in the consumer industries and virtually complete in

the case of Unilever.

Mike Angus admits he was fearful at a recent meeting of senior European management in Easthourne.

Called to discuss cross-border strational and the control of the control of the control of the control of the case of the ca egies, it was expected to rouse in-goistic outrage in all quarters, but all he heard was a call for acceleration despite the difficulties.

"In a way, the more problems there are, the better it is for us," be says. "Because we are better placed to solve them than the others, the greater our competitive advantage." The first article in this series appeared in Priday's paper. The series will continue on tomorrow's Technology page.

INTERNATIONAL APPOINTMENTS



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#### NATIONAL BANK OF GREECE SA Summary of Call for Bids for an International Tender

THE NATIONAL BANK OF GREECE SA expresses its interest in the purchase and installation at its premises in Athens of an applications software package to support the Bank's International Division Dealing Room operation, including:

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All offers will be submitted in English.

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The brochure concerning the detailed call for bids, the specifications for each of the above systems, the delivery and installation time, the requirements and the various terms of participation will be delivered from: NATIONAL BANK OF GREECE SA, Manager Organization Dept. 5 Em. Benaki Street, Athens 105 64, Office No.722, Tk. 022-1389, Fax 01-3211470 or mailed to those content of the submitted on at their written request and expense. Offers will be submitted on 27.2.1989 to the above address from 12.00 - 14.00 pm or mailed to the above address by registered mail on 24.2.1989.

The current cal for bids is also published in the Official Journal Supplement of the European Communities.

NATIONAL BANK OF GREECE SA

LEGAL NOTICE

THE THE "HOUSE OF LORD! IN THE MATTER of The Inc

NOTICE is bereby given that a meeting of the Creditors in the above matter is to be held at the offices of SBMSLA & CO., 49 Cusen Visional Samuel London ECAN 4SA on Friday, the 23rd day of January 1989 at 2.30 p.m.

Deted this 6th day of January 1986

S.K. SINGLA ADMINISTRATOR

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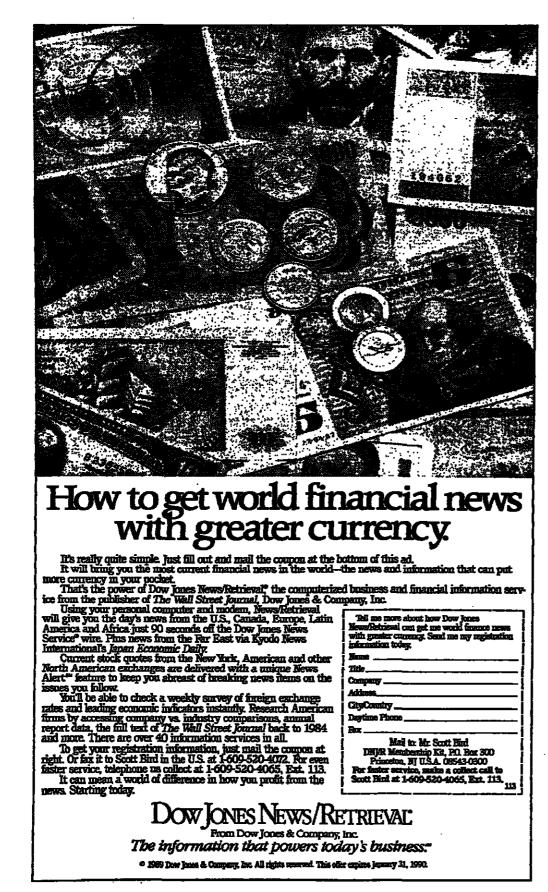
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Barryon Mr. Jean-Claude MEYER, one of the meneging directors ("gérant") of Lazard Frèrez et Cie (France) has been invited to join the partnership of ROTHSCHILD & CIE SANQUE (France) as General Partner where he will be particularly in charge of the banks' international corporate-finance.

Before joining Lazard, Mr. Jean-Claude MEYER was from 1973 to 1976 technical councellor at DATAR (the French Government's Regional Development Agency, an office of the French Prime Minister), where he was in charge of foreign investments in France; he was subsequently a member of the INTERMINISTERIAL FOREIGN INVESTMENT COMMITTEE.



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REN!ALS

# Landscapes fit for a king

The sunken flower garden and terraced walk at Pierrepont House in Nottingham at Christie's

Gillian Darley reviews the Anglo-Dutch gardens show at Christie's

preparations for the role of constibegan well before 1688. As soon as Charles the Second died, in 1685, they plunged into feverish work. An exhibition at Christie's, The Anglo-Dutch Garden in the Age of William and Mary (until February 3), celebrates the tercentenary through their patronage of art and landscape, and thus the spread of a gardening style, developed with help from the French but adapted to the Netherlands and Britain.

Het Loo, Hampton Court and Kensington. Palace were the starting points either side of the water. A remarkably high proportion of the total expendifure went on the garden and landscape settings for these palaces. Yet it is the memory of the landscapes beyond the garden wall or hedge that lin-gers from this marvellous col-lection of paintings and

ngravings. In Holland, gardens at this time were either intricate parterres set incongruously in the unremitting efficiency of the reciaimed polder, or else a kind of horticultural two fingers raised at the bleak wastes beyond, where the sand dimes marched to the edge of the sea. brought its landscapes to heel;
"It is not small enjoyment when one changes the dry sands into useful land by means of art," wrote Joseph Cats, a poet whose own coun-

try house, Zorgvliet, was by the dunes near the Hague, Looked at more closely, it becomes clear that these gardens were scientific and horti-cultural marvels. Their designers were surveyors and mathematicians, their owners burghers and merchants who treated their often relatively small gardens as a kind of cabinet of curiosities: rare plants, aviaries of exotic birds, and contrivances with water all demonstrated the Dutch achievement in encompassing

fruits of that trade. There were pragmatic considerations, too. The vast green "walls" which drew an outer edge to the gardens of late 17th century Holland were windbreaks, while the pattern of the compartmentalised garden was often drawn by the need for

the world and enjoying the

In Britain, the new landscape vogue was promoted first by those who found a place in the new court. Lord Scarbor-ough at Stansted or William ough at Stansted or William Blathwayt at Dyrham were two who matched their new political supremacy with fashionably designed, Dutch-influenced surroundings. Here, too, these gardens sat incongruously amidst the mundene surroundings.

and no doubt pungent, farm-yard lay behind the wall, at Blagdon the Northumberland moors were but a stone's throw

were all reminders of what the gardeners had overcome to achieve the desired effect. In any case, the formality was a sophisticated urban gesture amidst deepest countryside. This type of garden worked

well on an urban scale as Pierrepont House in Nottingham showed. The sunken flower garden and terraced walk, with terracotta vases and sculpted figures led to an intricate effect

in a confined space.

The English response to formality was to be rather straitlaced about it; but the Dutch were more relaxed. Once they had laid down the framework, marked out in box or neat edging plants, they felt free to introduce anything that caught their fancy, including the gan-

gly cottagey hollyhock.

The celebration of horticulture is picked up in the exhibition by a selection of artefacts, largely from National Trust properties: gigantic ceramic flower pyramids; needlepoint upholstery; and the breathtak-ing walnut cabinet from Charlecote, covered with floral marquetry in which every specimen is identifiable. The gardens have been lost though Het Loo has been restored, as has Ham House but the decorative objects Dutch could get about their

At Christie's exhibition George Carter's inspired stagey design and an abundance of away. At Dynevor a crumpled design and an abundance of terrain of small Welsh hills fruit and flower decorations

bring it all to life superbly. It is accompanied by a very scholbilingual catalogue, edited by John Dixon Hunt and Erik de Jong, but is easily enjoyed on a more immediate level for the insights it offers on those two most compatible societies of the late 17th and early 18th centuries.

Another view of the landscape, the one beyond the garden wall, appears in an exhibition devoted to agriculture in art at the Mail Galleries (until January 29), also sponsored by an auction house, this time

Although for my taste there are far too many paintings of fatstock and almost none of the farmhouses and outbuildings that remain the most interesting and visible legacy of agri-cultural history, it does include early farm plans and publica-

One is John Worlidge's Systema Agriculturae of 1688, in which the British delight in mastery of the land appears every bit as wholehearted as that of the Dutch. Fittingly subtifled "The Mystery of Hus-bandry Discovered and Layd it shares with those ter exhibits from the days of the agricultural improvers a feeling of pride, achievement

As farming enters its own post-modern phase, it is hard to detect such optimism; perhaps farmers should turn back to their gardens for comfort

# An athletic approach to touring

Martin Hoyle catches up with the RSC on the Isle of Portland

players have arrived at the right places on the right dates, performed as advertised, and generally spread happiness, light and communication. Since September they have strolled from Northumbria to Belfast, from East Anglia to the Midlands. This week finds them in Newton Abbott. The last, western, leg of the tour concludes with Truro and Tiv-erton in the next two weeks. They recently crossed Chesil Beach, the largest shingle structure in Britain, wisely fleeing Weymouth's threatened development of marina and "Spanish-style flats" in favour of Portland, with its stone quarries; prison, naval base and helicopter station; and magic and sexual comedy were played out opposite what Thomas Hardy called "the bleakest churchyard in Wes-

All of which sounds mislead ingly grim. In dazzling sun-shine the pony club rides through the yews and locally-quarried Niobes of the superbly handsome Georgian-Italianate church; under a relentlessly cloudless sky one can understand why Marie Stopes adopted the island with its ruined fortress, Regency Gothic castle, dramatic coast-line and unique breed of sheep (whose population sharply declined, coincidentally one hopes, with her advent). Above all, the enthusiasm and dedica-tion of the locals — sponsor-ship in both money and organi-sation — vitally underpin the

Bill Buffery's athletic production of A Midsummer Night's Dream, its characters springing, bounding, skidding across the stage, is a resound-ing advertisement for the ghtforward approach. In a mainly young cast that includes many newcomers to but, amazingly, the sheer beauty of the lines taken for

Crummles, the Royal Shake-speare Company has sent a mini-company out on what is called the RSC/British Telecom Tour. Despite the title, the players have arrived at the players have arrived at the players have arrived at the reveals one of the funniest Thisbes of my experience in the plump, rouged and balding person of Simeon Andrews.

Until then the clowns' com-edy has failed to ignite, the fault of the blandness that also afflicts Fiona Gillies' blank, under-reacting Helena. But Jennie Stoller and Raad Rawi make a strong central pivot, doubling as both Athenian and fairy royalty. This Hippolyta's basilisk disapproval of The-seus' adjudication of the Her-mia love-tangle suggests that the ducal marriage may be as stormy as its supernatural counterpart. As Titania Miss Stoller has to cock an amorous leg, Hindu-temple style, and tulge in hoochy-coochy wriggling that could be expunged. But Paul Slack is a tough little

with back-somersaults. The cumulative effect of this Dream owes much to the music, ranging from spare folksy harmonies to the solemn chorale that accompanies the ritualistic finale, composed by Mia Soteriou Michael Calf's atmospheric lighting in Port-land's Royal Manor School revealed him as a real mooncalf, evocatively illuminating the patterned floor, guy-ropes

> The Athenian lovers' white clothes hint at cricket and fencing gear; but Judith Bland's designs for The Beaux' Stratagem are in conventional Queen Anne style. If the Shakespeare production emphasises the tying of the knot (even the wounded purple flower is a spotlit rosette), Farquhar laments the Gordian tangle of an unsuitable marriage and hymns liberty of choice – the choice to live happily ever after, that is. Clifford Williams' direction

near-acrobatic Puck, complete what would become the bour-geois comedy of Sheridan; none of Congreve's cool, calculated accommodation in an agreed modus vivendi here. This is less comedy of manners than funny characters getting into droll situations, TV sitcom before its time.
As with the *Dream*, the evening progresses to a cheerful tri-umph. As Mrs Sullen, Miss Stoller's intonation occasion-ally betrays a touch of the Maggie Smiths, which she does

and suggested swags of Philippe Brandt's set.

not need. Below stairs accents in Lichfield vary between the innkeepers' menage (northern), the Squire's servant (broad Mum-merset – Paul Slack again, making a versatile mark) and his wife's maid (vaguely cock-ney). Roger Moss, a conven-tional Demetrius, displays a good Plat d'Or telly French accent as the foppish count; and best of all is Carolyn Back-house, a fairy and unspeaking stage-manager for Nicholas Lumley's harassed Quince in the *Dream*, who blossoms into a Dorinda spirited, touching and warm-hearted; qualities that should grace stages nearer

(the RSC) home. As moving spirit behind the RSC visit, the Island of Port-land Heritage Trust has seen a generation of reluctantly playgoing schoolchildren (two years ago) turn into happy fans. But besides the practical administration (shared with the efficient school staff) there remains, as with all local groups, the problem of money. With only 474 seats at a limited top price, raising the requisite £19,500 plus VAT for a week of the RSC is "a lot for a small community ... Even South West Arts can't help. They have no money to spare." Our national culture, our national poet, don't come cheap in the market economy. The paradox is that there is a riotously enthusiastic public hungering for such treats - treats that our more civilised European neighbours would consider basic fare for an educated nation. Something must be



Jennie Stoller and Carolyn Backhouse in "The

### What Is Seized

Polly Teale has adapted and directed this 55-minute monologue from a short story by the American Lorrie Moore: an evocation of childhood in which, half pleasurable, half painful, the adult pieces together what must have been an unhappy relationship

Its wistful charm is typical of a certain genre of American woman writer, which is not intended as a sexist remark, merely to recall the tradition of bittersweet impressionism of,

say, a Hortense Celisher. In Andrea Carr's simple design, clothes lines zig-zag back to the black background drapes. The young woman who pegs out the washing remem-bers her droll father, the teacher who took the leads in local productions of My Fair

Her mother could sing too. but only to the children, crooning Cole Porter to them in bed,

saled an unloving marriage. Gradually the message emerges: "Cold men destroy

The woman tells of her father's departure and her mother's mastectomy. She violently tugs clothes from the mother's death, and we notice for the first time they include a wedding dress and children's clothes; a life is displayed

With bony cheeks, a toothy

comes touchingly to life in Julianne Meson's beautifully restrained performance. She conjures up family life both cheerful and frightening

The piece may be slight but is perfectly judged; and the pain that prompted the resolu-tion to "leave every cold man"

**Martin Hovle** 

### Our Ellen

RICHARDSON STUDIO, CHELTENHALI

Ellen Terry's life story is pretty well known. What Richard Osborne has done in his monologue Our Ellen is to present the main facts as she would have felt them. In this joint production by the Cheltenham Everyman and the Coventry Belgrade, he has been lucky to find Tina Gray for his Ellen, for she can make herself look quite like the photographs we

We see her first in a gloriously disorderly dressing-room on the eve of her 1906 jubilee, thinking about her forthcoming speech. She is wearing a gold-coloured dressing-gown over what proves unexpectedly to be her costume for Mamilius in Charles Kean's company. She is momentarily eight years old, but soon becomes 16 and naively married to G.F.Watts, then living with E.W.Godwin and the mother of a son and a

daughter.

We go through the whole hiography, more or less as we know it, alternating the social and the theatrical in pleasant little sketches, the main point being to show what these people and events meant to her, rather than to the world is general. So although her life is punctuated with famous names

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for details.

 Watts, Charles Reade, the Bancrofts, Irving, Shaw, even a couple more rather unsatisfactoughe more rather this stages than except as she did. She talks of them as simply as she talks to Elisabeth Williams and Philippa Smith, who play her incidental music and dress her

stage.
There has to be some glimpse of how her parts seemed to her; we are given hints of several, and better than hints of mad Ophelia and merciful Portia. The famous Olivia in *The Vicar of Wake-*field is represented mostly by a cap and a scart. There's noth-

ing from Cicely Waynflete in Captain Brassbound's Conversion and only a line or two

about Shaw.

Irving was clearly very important to her, but not that way, as they say. Each mat-ter's value is gauged only by what nice, talented, simple

Ellen thought of it.

Tina Gray does it all prettily, and mostly overcomes the handicap that dogs this kind of play, of having to speak dra-matic lines in a conversational tone and vice versa. The author directs.

between her two parents, barely understood by her when Lady, Camelot and The Music Man.

rect her.
The tricks and jokes for the

smile and sad eyes, this com-monplace figure in her blue print dress and white sneakers

as she dances to the Soliloguy from Carousel with the man's jacket that recalls her father. tains to evoke a stifling night-

is never in doubt.

#### Richard Jackson

WIQMORE HALL

Richard Jackson and Graham Johnson prepared Thursday's recital as a "Homage to Pierre Bernac," who has been dead for ten years, and who would have been 90 yesterday. Bernac was one of Jackson's teachers, as he was of many of the country's most significant recitalists. Indeed, the influence of the great French singer of melodies and Lieder on British musical life has been incalcula-ble - Mr Johnson's loving pro-B.A. Young gramme essay made that clear, and gave in addition as perspi-

ence, particularly in its second half. Here, Mr Jackson sang four songs by Chabrier and and many more by Poulenc "Bernac composers," one could
call them both - and gave therein evidence not just of the studiousness and seriousness of approach that marked his teacher's work, but also some-thing of the incomparable

cacious a short account of the singer's special genius as I have ever read.

The programme, too, reflected the beneficant infinerate of the control of the special genius as I have ever read.

The programme, too, reflected the beneficant infinerate of the special genius as I have ever read. for singing.

Obviously, the young Ruglish baritone cannot repro-duce the Bernac touch in Chabrier's "L'île heureuse" or Pou-Ienc's "Montparnasse" (and would have been unwise to try); but his own distinctive sense of style was never in doubt, and in other samples of Apollinaire-Poulenc - such as "Avant le cinéma" - the singer's sharp intelligence glanced witty inflexions off the words. (The planist's command of métier was throughout the concert an unfailing joy.)

Mr Jackson's voice has mellowed since his early days with the Songmakers' Almanac. Sometimes one still feels a lack of lyrical flow in its movement,

and problems at the top have not been entirely sorted out; but more often one reloices in

The first half of the pro-

Max Loppert

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Royal Liverpool Philharmonic Orchestra, conducted by Libor Petak. Mozart and Berg. (Tues). Royal Festival Hall. 928 3191 Royal Festival Hall. 928 3191
City of Birmingham Symphony
Orchestra, conducted by Simon
Rattle with Helen Field
(soprano), Linda Hurst (contraito) and John Mitchinson
(tenor). Brahms and Janáček.
Royal Festival Hall. 928 3191

Gerhard Oppitz, piano. Brahms (Mon) Salle Gaveau (45 63 20 30) (Mon) Salle Gaveau (45 63 20 30)
Orchestre Colonne, conducted
by Alexander Rahbari, Cecile
Ousset (piano). Berlioz, Grieg,
Beethoven (Mon). Theatre des
Champs Elysées. (47 20 36 37)
Margarita Zinmetmaun (mez20-soprano) Dalton Baldwin
(piano), (Mon). Chatelet (40 28
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Resemble Orchestral de Paris,

28 28)
Ensemble Orchestral de Paris, conducted by Roberto Benzi, Boris Balicin (violin), Glinka, Prokofiev, Haydın (Tue). Salle Pleyel(45 63 88 73) Scottish Chamber Orchestra. Monteverdi, Cavalli, Vivaldi (Wed), Chatelet (40 28 28 28) Orchestre de Paris, conducted

by Carlo Maria Giulini, Mozart, Bruckner (Wed, Thur). Salle Ple-yel (45 63 88 73) Nouvel Orchestre Philharmoni-que, conducted by Kenneth Monigomery, Philippe Bianconi (plano). Mozart (Thur). Radio France, Crand Auditorium (42 31 15 16) 30 15 16) 30 15 16) Byron Jamis (pieno) playing Cho-pin (Thur). Thèâtre des Champs Elysées (47 20 36 37)

Antwerp

Marcel Ponseele and Paul Dom-brecht (obce), Richte Van der Meer (cello), Robert Kohnen (harpsichord) Donna Hyry Agrell (Fagot) perform Zelenka, Fasch, Telemann and Handel De Singel (Thurs). 03-237-6158

Piano Recital, Nikita Magaloff playing Chopin (Mon, Thur). Konzerthaus. Ensemble Jean Louis Petit. Tisne, Chaynes, Conde. Takakmuseum.

Anstrian State Radio and Television (ORF) Orchestra and Choir, conducted by Erwin Orther.
issac, Webern. (Thurs). ORF sta-

New Cambridge Buskers. Mich-ael Copley and Jeremy Sans con-tinue a British month organised jointly by the Accademia Filarmonica and the British Council. playing Brahms (four intermez-zos and ballad in B-major (Sun) and Tchatkovsky's sonata in G-major (Wed.) Teatro Olimpico box office: 393304

Recital by tenor Jose Carreras accompained by Martin Katz (Mon.) Testro Alla Scala: box

Netherlands Philharmonic, conducted by Fiartmut Hasnehen with Carolyn Watkinson (contraito). Mahler (Wed). Vienna Philharmonic, conducted by Zubin Mehta. Schubert, Rich-ard Strauss, Brahms (Mon). 718

New York

New York Philharmonic conducted by Felix Krulikov, Ivan Moravec (plano). Brahms, Schu-mann, Prokofiev (Tue). Avery Fisher Hall, Lincoln Center (789

Fisher Hall, Lincoln Center (789 9595).

American String Quartet. George Tsontakis (world premiere), Mozart, Brahms (Tue). Kaufmann Hall (996 1100).

Jorge Bolet plano recital. Liszt, Schubert, Wagner/Liszt (Wed). Carnegie Hall (247 7800).

Louisville Orchestra conducted by Lawrence Leighton Smith, with Elmar Oliveira (violin). Morton Gould, Copland, Erra Laderman, Martinu (Thur). Carnegie Hall (247 7800).

New York Philharmonic conducted by Zubin Mehta, with Julia Varady (soprano). Paine, Mozart, Beethoven (Thur). Avery Fisher Hall, Lincoln Center (799 9595).

9595). Cleveland Quartet. Bartok programme (Thur). Grace Rainey Rogers Auditorium, Metropolitan Museum of Art (570 3949).

#### January 13-19

Orchestra of St Lukes conducted by Julius Endel, with Frederica von Stade (mezzo-soprano) (Thir). Poulenc, Schubert, Carne gie Hali (247 7800).

National Symphony Orchestra conducted by Mstialay Rostro-povich. Shostakovich programm (Tue). Remedy Center Concert Hall (254 3770). John Weaver violin recital.

women weaver violin recital.
Mixed programme (Mon). Orches
tra Hall (435 6666).
Chicago Symphony Orchestra
conducted by Günter Wand.
Schubert, Brahms (Thur).
Orchestra Hall (435 6666).

Orquesta Nacional de Espana conducted by Rafael Fruhbeck de Burgos, Albeniz, Beethoven, Stravinsky (Tues), Suntory Hall

(403 8011).
Julian Lioyd Webber (cello)
Bach, Debussy, Besthoven, Falla.
(Wed). Bach, Debussy, Britten,
Rachmaninov (Thurs). Casals Rachmaninov (Thirs). Cessis
Hall; (23 3195).
Tokyo Metropolitan Symphony
Orchestra, conducted by Hiroshi
Wakasugi, with Kenji Kobayashi
(violin), Kifuu Mitsuhashi, Teruhisa Fukuda (shakuhashi),
Menuni Miyata (shakuhashi),
Menuni Miyata (shakuhashi), Mayumi Miyata (shoh). Works by the Japanese composer Mak-oto Moroi (Wed). Tokyo Bunka

oro secret (web). Two blanks Kaikan (822 0727). Japan Philhermonic Orchestra, conducted by Akeo Watanabo, Tchaikovsky, Dvorak (Thurs). Suntory Hall (234 5911).

It was like a battlefield outside. Girls weeping; friends being torn apart at the turnstiles; bitter recriminations flung at the hicky few who had managed to find a tout with a ticket. After all this was going to be the last British date on the Bros "Global Push" tour. For some

Inside it was like a nuremberg raily. Wembley was packed with massed ranks of Brosettes, dressed in standard uniform of risped 501s, patch-

Tamus, and size five Doc Martens.
Suddenly a spot light picked out two cherubic figures, dressed in gleaming white, and hovering unsteadily on wires above the stage. The celestial twins looked even more Scandinavian than A-Ha, the "pretty boy" band they replaced.
After the gimmicky entrance Bros put on a much more

Bros put on a much more

the absence of tightness and

gramme was designed to reflect Bernac's qualities, per-haps less widely hymned, in German song; but here another spirit also hovered over the proceedings, that of Dietrich Fischer-Dieskau. In Schumann and Brahms particularly I longed for Mr Jackson to shake off the influence of the uniquely refined F-D enunciation, which here seemed responsible for the self-conscious little digs into the line. In Liszt; particularly in an imaginative and finely spun "Drei Zigeuner," Mr Jackson was much more evidently his own man, and the benefits

were obvious

#### Bros

WEMBLEY ARENA

of the fans, by the time the boys make it back to Weinbley the surrogate love affair with a poster on the bedroom wall will be over.

Inside well was like a Nurembers will will be recorded to the bedroom wall will be over.

festooned jackets, cropped T-shirts, and size five Doc Mar-

workmanlike show than their cossetted tabloid reputation suggested. The entire act is built around lead singer Matt's melodic voice and surprising stage charisma. He feeds off the audience like an old pro, while brother Luke lurks inconspicuously behind his drum kit. But the strain of the tour was telling on Matt's voice during "Drop the boy." Bros has hired a crack band plus two Brosette dancers, who

make the usual bump and grind routines look as innocent as a netball warm up. They powered their way through anthems such as "I owe you nothing" and "Cat among the pigeons".
The best tribute to Bros is

that they turned the arid atmo-sphere of the vast Arena into something like a small club. The problem for Bros is whether they can mature with their audience, like Duran Duran, rather than flounder into obscurity like Spandau

Clare Dalziel

 $\mathcal{F}^{\mathrm{adj}} = \underline{\mathbf{a}}_{\mathrm{adj}} + \mathbf{a}_{\mathrm{adj}} + \mathbf{a}_{\mathrm{adj}} + \mathbf{a}_{\mathrm{adj}} + \mathbf{a}_{\mathrm{adj}}$ 

### FINANCIAL TIMES

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Monday January 16 1989

# The reshuffle continues

THE alliance announced last week between the UK's Gen-eral Electric Company and General Electric of the US underlines the British company's new strategy of pursuing a larger share of European markets through joint ven-

For GE the deal provides a bridgehead in the Community which it will certainly want to enlarge; it is hardly likely to be content with a partnership in domestic appliances and a principle of the content with a partnership in domestic appliances and a principle of the content with a gent principle. minority stake in a gas turbine business. For Europe as a whole the deal marks a further reshuffling of assets as compa-nies prepare for the European markets of 1992.

#### Joint ventures

If all its new plans go through, GEC will emerge with seven major businesses, two of which, power engineering and domestic appliances, will be in the form of joint ventures and a third, telecommunications, will have a foreign partner as a large minority shareholder. The other four — defence elec-tronics, medical electronics, office automation and measur-ing equipment — are thought capable of being developed into stronger world businesses.

Doubts about the strategy rest mainly on the notorious difficulty of managing joint ventures; GEC's own experi-ence in this field has been patchy. There is also the still-unresolved question over the succession to Lord Weinstock, GEC's managing director. Suc-cess will require strong direc-tion and a determined drive for world leadership, along the lines of the policies being pur-sued by GEC's new American

A sensible strategy for GEC is not, of course, the same as a strategy for the UK electronics industry, which is a much wider and more difficult question. Japan's great strength in this sector is built, first, on a group of broad-based companies with interests ranging from semi-conductors to consumer electronics and computers and, second, on a group of highly innovative smaller companies with a narrower prod-

The UK has no contenders in the first category. The second company which is now part of STC, shows that a well-con-ceived "niche" strategy, reinforced by international alli-

remorest by international alli-ances, can work even in an industry dominated by Ameri-can and Japanese giants.

Plessey has followed a simi-lar approach in semiconduc-tors. It has specialised in appli-cation-specific integrated is circuits (ASICs) and is regarded by some observers as a potential leader in this field. If the GEC/Siemens bid succeeds, Plessey's semi-conductor business is likely to be linked with Siemens's very different and larger activity in this field, with the obvious risk that the UK operations could gradually

A reshuffling of assets among Europe's larger electri-cal and electronics companies will be helpful if it leads to stronger-management, more willingness to think in European and global terms and greater specialisation in products and technologies where positions of world leadership are achievable. It may be, however, that the leaders in European electronics over the next pean electronics over the next few decades will be found, not among the old-established companies whose manoeuvres have dominated the headlines in recent weeks, but among new entrepreneurs who can react with more flexibility to fastchanging markets and technology. Ventures of that kind have been a great source of strength in the US. But in Europe the old "national champlons" like GEC, Siemens and CGE in France still exert great influence. Some rationalisation among them makes sense, but the competition authorities need to watch carefully the emerging network of alliances, involving the same group of large companies linked to each other by joint ventures and cross shareholdings, which is beginning to dominate several industries.

#### Collusive behaviour

These arrangements could have the effect of making the companies virtually bid-proof and encouraging collusive behaviour between them. Europe's business environment needs to be open to newcomrepresents a more feasible ers, from within the Commuoption. For example, the recent nity and outside it, who are success of ICL, the computer prepared to rock the boat.

# Card-carrying hooligans

Here we go. The hallowed faces on cards as thousands of British principle of muddled fans pass through. Even if this thinking is about to be applied with full force to a fresh subject - personal identity cards. This week the House of Lords will embroil itself in a heated argument about an obviously impractical card scheme, while side-stepping what should be a cool discussion of a proposal that should be debated on its merits. The impractical scheme would, if only it were work-able, curb football hooliganism by obliging fans to produce special computer-readable cards when they seek admis-sion to matches. The political row about this will obscure rational analysis of the far more serious question of whether Britons should be compelled to carry, or produce on demand, the kind of national identity card that is common on the continent.

#### Absurd notion

The notion of football cards is absurd. The idea is that hooligans would be kept out of the grounds, with the result that the ugly violence of recent years would thus be stopped. This simple-minded proposi-tion can appeal only to those who believe that when they see disturbing scenes on television "comething must be done" "something must be done", however ineffective. The truth is that loutish behaviour by drunken young people is not created by football games, nor is it confined to the terraces. Young men have behaved roughly at most times in human history. Inner-city vio-lence, a complicated - and ugly social phenomenon, will not be eradicated by a knee-jerk

It might be made worse. The police are convinced that the football scheme could result in a large number of potentiallyviolent quarrels at the turnstiles, as people with borrowed cards try to force their way through, or as the electronic gates jam or otherwise break down. Bad-tempered youths who failed to get in to cheer their home team on a Saturday afternoon would remain badtempered, or worse, when they set off, thwarted, from the gates. In any case, there can never be a foolproof check of

fans pass through. Even if this were possible, the scheme would do nothing to reduce the number of battles taking place in bars and outside football grounds. If a Tory revolt causes Parliament to reject this Bill, the Government will have received its just deserts.

Either way, the topic of a general identity card is likely to come to the forefront. The British tradition is that the police do not carry guns, and the people do not carry what in colonial times were called passes." This tradition may not be proof against growing terrorist threats. More police are now bearing arms in special circumstances. More politi-cians are now thinking about the advantages to the uphold-ers of law and order of a uni-versal obligation to carry a card bearing the holder's pho-tograph. Such a card might be of great help to the security services in Northern Ireland. Yet this particular argument should give pause for thought since the possibility of its mis-use highlights the danger to civil liberties.

#### Transactions Against that, a card would

be a useful means of identification in everyday transactions. In the US a driving licence shows the driver's face; in Britain it does not. Credit cards constitute limited proof of identity. Most member gov-ernments in the European Community would doubtless take a more relaxed view of the abolition of passport controls at frontiers if everyone in the EC carried some form of personal identification. These arguments carry greater force if the proposal is for an identity card that can be produced at the holder's convenience, as the Home Secretary appeared to favour at the weekend. The best that can be said at

the present early stage of the debate is that a continentalstyle card would be easier to accept if it was accompanied by continental safeguards. such as the incorporation of the European Convention of Human Rights into British law. But that, too, requires logical

# Ian Davidson on the debate behind plans for reform in French schools

or as long as anyone can remember, France has been buzzing with expectations of a major boost for education. In late 1987 the then Gaullist government produced a plan to raise the performance of the educational system; it was stillborn, pre-empted by the presidential election campaign of spring 1988. The campaign itself revealed a consensus among all presidential candidates that the country must give absolute priority to improve must give absolute priority to improving the educational system. During the next six months, the country waited for the new government formed by Mr Michel Rocard to follow up on the campaign promises, but nothing seemed to happen.

But now the waiting is over. This week, Mr Lionel Jospin, Education Minister and Mr Rocard's number two, presents his long-term reform plan to the cabinet, and launches a three month possition to call it to three month negotiation to sell it to the politicians, the voters, the par-ents, the children, and, above all, the teachers. Ahead lies a period of pas-sionate controversy; for if there is one issue which really gets the French going, it is education.

Mr Jospin must sell his plan to the teachers because it is certain to require sweeping changes in the running of the schools. Before Christmas there were mufiled echoes of a heavy backroom fight between Mr Rocard and Mr Jospin over the terms of the reform. In essence, Mr Jospin wanted to start the ball rolling by giving the teachers a pay increase without conditeachers a pay increase without condi-tions; Mr Rocard was determined that the pay increase should be the coun-terpart to far-reaching reforms in the way teachers do their jobs. It seems

that Mr Rocard has won.
In theory, the details of the reform plans are still top secret; but enough has trickled out to suggest that if adopted, they will lead to a sweeping transformation of the style and content of the French educational sys-tem. Some insiders claim that the changes will be the most far-reaching since the landmark package of reforms introduced by Jules Ferry in the 1880s, which laid down the benchmark for the next 100 years - making primary education free, compulsory, lay and a public service funded by the

lay and a public service funded by the state. Others merely say that the reforms will be "revolutionary", possibly an appropriate characteristic for the French bicentenary year.

The starting point of the plan will be a long-term target of vastly increasing the proportion of each generation of schoolchildren taking a school-leaving exam equivalent to the baccalauréat — popularly known as le bac and normally taken at about the age of 18. The Socialist government of 1984 proclaimed a target of 80 per cent by the year 2000; the Gaullist governby the year 2000; the Gaullist govern-ment's abortive plan of 1987 aimed slightly more modestly at 74 per cent; Mr Rocard has indicated that the Jospin plan will revert to the 80 per cent

The scale of this ambition needs to be measured against the current state of affairs. At present, about 40 per cent of French school pupils reach the level of the bac or some technological or professional equivalent, even if only three quarters of them actually pass it. This is a major advance on 30 years ago, when only 20 per cent of a given age group took the bac. An 80 per cent target, representing a dou-bling of this performance within a decade or so, would seem superhu-

Claude Pair. one of the top advisers in the Education Ministry and a for-mer Directeur des Lycées, does not agree. "We may not reach 80 per cent in the year 2000; but we shall reach it very soon thereafter, because every-body wants it – the young, their fam-ilies, and industry. The young have a growing appetite for education, and the employers say they really want



# Education goes to the barricades

people with two years of further edu-

cation after the bac."

But if the system is being forced by its consumers to move from 40 per cent to 80 per cent in such a short time, why does it need a revolution-ary reform? The answer falls into three parts. In the first place, current curricula and pedagogic methods are deliberately élitist and academic – they may be suitable for a minority of élitist academics, but they are not necessarily suitable for mass education. The charge most often levelled against the French school system (by the French) is that it was designed for a tiny minority of high-fliers who were destined for the Ecole Polytechrique or the inspection des Finances. The growth of numbers aiming at the bac level in recent years has been achieved in part by the introduction of technological and professional equivalents; but the ethos and even the content of these supposedly vocational exams continues to be heavily influenced by the principles of the prestigious Baccalauréat Général. Second, the attempt to force growing numbers of schoolchildren into

such conformity means imposing an inhuman and absurd burden of work on them. France is the only country in the world, according to Yves Martin, doyen Inspecteur Général of Education, to require the study of philosophy in the school-leaving examination; in addition, during their two years of bac studies, all pupils have to take French, a modern language, history, geography, maths, physics, chemistry and physical edu-cation, whatever other subjects they may also have to take for their speci-alised bac.

Third, the policy of requiring children to absorb enormous quantities of book-learning, no longer looks so sensible in the post-industrial era. The main teachers' union, the Féderation de l'Education Nationale (FEN) asked industry what skills it was looking for, and found that the three most wanted characteristics were the abil-ity to communicate, the ability to work in teams, and a level of general education which would facilitate

retraining.

The tension between élitist objectives and what the French call the "massification" of education, is bring-ing the system to breaking point, pro-voking a constant flood of criticism in

If there is one issue which really gets the French going, it is education

the media, and demoralisation among teachers and children.

Media criticism is most frequently encapsulated in the phrase l'échec scolaire, or school failure. This conveys the impression that the educational system is failing in general, that standards are declining, and that teachers are falling down on the job. Needless to say, this impression, on top of their low pay, contributes powerfully to the demoralisation of teachers.

The picture is much better for the most able children in the top third, but seriously flawed for the also-rans. Not merely are standards not falling overall, they are rising substantially, this showed up in an army survey of conscripts, and has been comprehen-sively demonstrated by a new study published last week. The timing of its

publication is providential for the Government, since it should set the record straight before negotiations start with the teachers. On the other hand, one of the real

cancers in the system is what the French call "selection per l'échec". selection by failure. Every year in every class, 10-20 per cent of the pupils fail to pass the end-of-year exam, and have to do the year all over

At secondary level, the rate of so-called redoublement is on the increase, whereas at primary school it has declined. On the other hand, it is on young children that the destruc-tive effect is most devastating. Of every 1,000 children who start pri-mary school, 100 will be made to do the first year again; and out of these 100, 40 will drop another year before the end of primary school, and only one will ever get as far as the bac.
"French public opinion," says
Antoine Prost, top adviser to Mr
Rocard, and himself a historian of education, "thinks that selection par l'échec is an indication of quality; in fact, it is scandalous and destructive." The severity of the selection process may push up standards for those who survive, but it is pitiless for the 30 per

qualification. The Government's reform plan is expected to encompass the entire educational system, from the école maternelle to the university. But the heart of the plan is expected to be a reform of the secondary school system, which starts with four years of college, followed by three of lycés.

A central problem is the extraordi-

cent who leave school without any

narily heavy load of homework, which is much harder for children from less privileged backgrounds,

who may live in cramped or noisy surroundings, or whose parents may be unwilling or unable to help. "When parents cannot help their children," says Yves Martin, "and they are the majority, someone else must - the

majority, someone clse must. - The British system, where teachers.

"The British system, where teachers are present throughout the school day, would not go down in France, not with our habits. But at least they ought to be present 22-24 hours a week." This compares with the present requirement of 18 hours of classes for most teachers, or even as little as 15 for the more highly qualified agrees. These extra hours should be used for helping weak pupils, standing in for absent colleagues, helping young teachers, or administration.

Such an idea is bound to provoke protest from teachers, who are attached to the shortness of their hours and touchy over the specialisation of their profession. But Mr Martin is adamant: "I see no other solution."

In the tycée, he believes, change must be even more far-reaching. "We must completely rethink the general box, since it is not adapted to the 80 per cent target. We must except the idea that pupils can limit the number of subjects, so as to get a deeper knowledge of one or two, and also produce a personal project, so as to acquire a real general culture. For example, one major subject, one minor, French, and physical education."

minor, French, and physical cadertion."

In a recent speech, Michel Rocard
called for more time for arts, painting,
music and theatra. This would be a
major challenge to the present system
which rigidly excludes everything
which is not strictly on the syllabus,
so that art and music tend to be
optional extras, outside school hours
and premises.

A revamped educational system is
obviously going to be expensive. The

A revemped educational system is obviously going to be expensive. The Government will have to pay the teachers more if it is to persuade them to work longer and differently, it will need to replace the 300,000 teachers who are due to retire between now and the year 2000; and it may have to expand the teaching workforce, if it is to meet the 80 per cent target. The FEN claims that another 100,000 teachers will be needed.

With a starting salary for a quali-fied tyce teacher of FFr 6,800 (DE23) per month, and a final salary of FFr 10,000 for a beadmaster, the teaching profession looks undervalued. For purposes of comparison, the median for all salaries in France in 1986 was FFr 6,230 per month, and the average was FFr 7,560; whereas the average annual income of a physician in 1987 was FFr 578,000, and of a surgeon FFr

The trouble is that there appears to be a yawning gap between what the teachers want and the extra money the Government has set aside. Towards the end of last year, the Gov-Towards the end of last year, the Government was promising an extra FFr 4bn on top of the forecast budget; last week, it appeared to have recognised that this would not be enough and had raised it to an extra FFr 6bn. But this is only about 3 per cent of the education budget — a recent poll suggests that teachers will be looking for a salary increase of FFr 2,000 or FFr 3,000 a month, about 50 per cent 3.000 a month, about 50 per cent.

Government's 3 per cent will not be enough; so ways must be found of making savings. Not merely is redoublement destructive, it also costs a lot, Reducing the children's work load could save money; postponing exams until July would add a month or six weeks of classes to a school year which is the shortest in Europe. It is hard to believe that these will provide more than penny savings, however. The negotiations ahead should be very interesting.

#### Chelsea 1 Palace 0

■ Chelsea Football Club is going through one of its fash-ionable periods: top of the Sec-ond Division and winning back the crowds. So Stamford Bridge on Saturday seemed as good a place as any from which to observe how the crowds are behaving. There was the added attrac-

tion of Dave Beasant, the new Chelsea goal-keeper. Beasant was the hero of the Wimbledon victory over Liverpool in the FA Cup Final last year. He was then transferred to Newcastle United for over £800,000, and last week moved to Chelsea for about 15 per cent less. Such figures perhaps explain why it costs £5 to get a place on the terraces.
For the uninitiated, the

entrance to the stadium is not all that easy to find. If you try to take a short-cut, you are liable to end up in a private housing estate that culminates in a cul-de-sac. The local residents are none too helpful. We came across a group of bewil-dered Swedes who had been looking for the way in for about an hour.

Supporters are now segre-gated between "home" and "visitors". We went in with the visitors, who were Crystal Palace. Sections of the terraces were being deliberately kept empty, which meant that we watched the early stages of the game from a great distance and through a wire fence. The police then had the good sense to let part of the crowd into

the empty spaces.
The Palace supporters
seemed an amiable lot, though with a limited vocabulary. From time to time they would chant what sounded like "Eeyore" but was, in fact, "Eagles" after the Club's golden strip. It was accompan-ied by an upward movement of the right arm with the wrist and fingers coming down like an eagle swooping.
The match was - in the footballers' own word - rub-

# **OBSERVER**

bish. One had expected some kind of Chelsea model in prep-aration for the First Division. The Palace crowd did not seem to mind particularly that their

Nor did they object at the end when all Palace supporters were instructed to remain in their places until all the Chelsea supporters had left. That process took about 45 minutes, When we finally got out, there were no ambushes, the streets were quiet and the local pubs still closed.

Currie gossip ■ Amid the speculation about the next Government reshuffle one suggestion could perhaps come true. Edwina Currie, the departed but not disgraced

junior Minister of Realth, could be made a deputy chairman of the Tory Party, rather in the role once played by Jeffrey Archer.

#### Nomura man

■ Plaudits all over the City for Hitoshi Tonomura, who is returning to Tokyo to take over the overseas operations of Nomura Securities. The praise comes not only

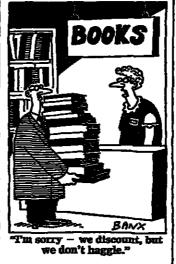
from Sir Douglas Wass, the former Permanent Secretary at the Treasury now enjoying life in the private sector as (among other things) non-executive chairman at Nomura International in London. It is echoed by Eddie George at the Bank of England and Sir Martin Jacomb at BZW. One of the reasons is that Tono-san, as they call him, is seen as a hot candidate for

the Nomura succession in four

or five years' time. "That

would make him a world fig-

ure," said a City admirer not



usually given to hyperbole. Tonomura is only 50 - young by Japanese standards for high promotion. During his four years as chief executive in London, Nomura obtained a banking licence, became a member of the Stock Exchange, started equity market making, and then became a primary dealer

Tonomura himself was a member of the Stock Exchange Council, and re-elected. His extra-curricular passions were rugby union and American football. "He would go to prac-tically every international at Twickenham, sit on the edge of his seat and bang his knees," said Wass. The new Nomura man in

London – Nobuo Nakazawa is also said to be strong on "dochakuka", which translates literally as "becoming part of the local soil". This time it will not be rugby, but cricket, which he is determined to

learn all about, Nakazawa is 44, recently spent six years in Switzerland, and will also head Nomura's

#### Strong wrong

■ The art establishment does not come well out of the exhibition on Aspects of Agricul-ture in English Art now being shown at the Mall Galleries. indeed for several years it prevented it from being shown at all.

The original idea came from John Owens, then running the Dairy Trade Federation, in 1982. Owens spent over three months producing a detailed synopsis and found considerable support from Peter Walker, then Minister of Agriculture, and Sir Richard Butler of the National Farmers' Union, as well as the Royal

Family.

It was turned down, however, by the major galleries—the Royal Academy, the V&A, and the Hayward—and by the Arts Council. Sir Roy Strong, then the Director of the V&A and chairman of the relevant Arts Council committee, said it had "no artistic

only when the Royal Agri-cultural Society wanted to cele brate its 150th anniversary did people come back to it. The Owens synopsis was used. Owens is now deputy Direc-tor-General of the CBL He

regrets that the show is runng only until January 29 and that it is not even bigger: "very weak on the medieval side," he says. But he hopes to take the CHI more in the arts.

#### Tokyo signal?

The official Japanese title for the age of the new Emperor is "heisei" (pronounced "hay-say"). The characters mean "peace attained", but the sounds "hay" and "say" can also mean very different things in different contexts. The first can mean flatten or level, and the second the west. Surely this cannot be Japan's real



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Terry Dodsworth, Industrial Editor, examines how GEC will look if Lord Weinstock gets his way

# A new empire built from the old

n the space of less than two months. Lord Weinstock, archi-tect of the General Electric Company 20 years ago, has torn aside the structure he created and replaced it with something entirely new. It has been an extraordinary eight weeks, made all the more so by the impression of slumbering immobility that has coloured recent stock market comment on the comment.

schools

comment on the company. "The mar-ket," said Lord Weinstock the other day, "took the view that because day we were fast asleep. That was all absolutely rubbish."

Rubbish he has certainly shown it to be. If successful, the bewildering series of deals the group has announced since mid-November will amounced since min-vovember war link its future irretrievably to three of the world's leading electronics companies. Almost half of its activities will be injected into joint ventures with these overseas groups, Siemens of West Germany, Alsthom of France and General Electric in the US. Lord Westers and General Electric in the US. Lord Weinstock, the man who more than any other UK industrialist has been associated with meticulous personal control of his empire, will be surren-dering independence for substantial collaboration.

It is tempting to see these moves as partly a response to threats from outside. The group has unquestionably been under heavy pressure recently from shareholders as worries have built up about its long-term growth prospects and lacklustre profits. More to the point, it was suddenly faced in the last few days with the possibility of a bid from a consortium including GE. In detaching GE from this pro-posed bidding group, GEC has both deflected this external attack and linked the American company - the US's largest electrical group, with sales of about \$40bn a year - to its

Yet GEC's initiatives go well beyond a defensive strategy. Indeed, the group has come under attack from the consortium bid partly because of its own aggressive takeover offer, launched jointly with Siemens, for

Plessey, the UK electronics group.
GEC's plans flow from the belief that the group is too small in certain of its key product areas to continue to go it alone in world markets – a problem, it argues, that is shared with other Europeans, including Ples

This is by no means a novel idea. But the notion has become easier to turn into industrial initiatives since the proposals for ending Europe's internal trade barriers became more concrete about a year ago.

The new climate in Europe, with indigenous companies more willing to

indigenous companies more willing to horse-trade, and Americans anxious to gain a foothold while there is still time, form the framework for the three main joint ventures being planned by GEC.

• In the bid with Siemens for Plessey, GEC is linking up with Europe's second largest telecommunications company, after Alcatel of France, to gain a partner with larger internagain a partner with larger interna-tional distribution channels, along with funds to inject into the development of the next generation of telephone exchanges. It is also gaining an entrée, through Siemens, into the West German defence electronics

• The 50-50 joint venture with Alsthom, the French power engineering group, is by far the largest and in some ways the most ambitious of the new projects on which GEC is embarking. It will create a group with total turnover of £4.4bn — Alsthom's sales are roughly twice those of GEC's in this area, though profits are roughly similar - in a range of turhines, power station equipment and italiway products. This will make it the second largest power engineering group in the world after Asea Brown Boveri, the Swedish-Swiss group formed a year or so ago.

The entry of GE into this project as a minority partner in a new gas tur-bine division, accounting for sales of about 2400m, will give the group a complete range of technology.

• The main deal with General Elec-

tric is concentrated on domestic appliances, where the two have a common trade name - Hotpoint - and where both have a dominant position in their domestic markets. This is one of the fields where GEC has up to now ducked the challenge of overseas expansion, but where the added technology and financial muscle of GE, the largest appliance manufacturer in the world with sales of \$4.5bn, is expected to lead to a shot at Europewide development. There will now, GEC managers insist, be acquisitions in this field.

Roughly speaking, the turnover of the activities in these collaborative enterprises amounts to around £2.5bn, or a little over 40 per cent of GEC's combined sales of £5.9bn.

The rest of the group breaks down into four wholly-owned areas - US medical electronics (sales of about £370m), electronic metering and con-trol (£500m), office equipment (£450m), and the Marconi defence electronics

division (£2.1bn). All of these businesses are profitable and have well established positions in world markets or their own particular niche, although there is a question mark over the Picker medical equipment division, a medium-sized company in an industry of large global players. The novel element in this proposed new structure for GEC lies in the

joint ventures. In other respects, the traditional concept of a company sharing some research and a common funding base, but with sharply differentiated operating divisions, remains the same. So the issue for GEC's future is how well these new collaborative enterprises fit with its concept

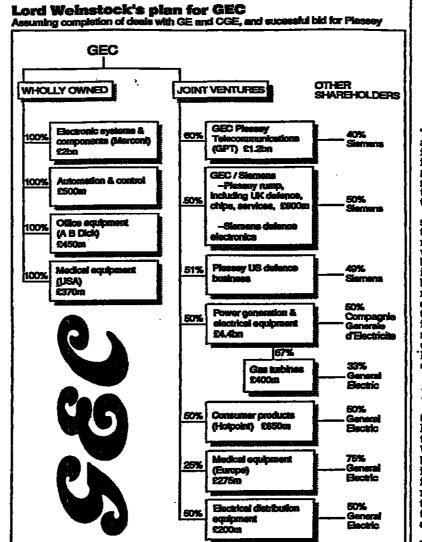
of developing its global business.

First, all of these projects include research and development arrangements. GEC is often criticised, of course, for failing to develop worldbeating new products, or not invest-ing in high technology on the scale of the Japanese or Americans. But it has never pretended to be a technologyled organisation of that kind.

Instead, it sees the need for concentrating research on specific targets; and since these costs are going up, even in mature industries, like power engineering, it sees the need for shar-ing costs both in the development both of new products and in the increasingly expensive plant invest-ments now required. "In the combined group the new organisation will only be spending once," says Mr Bob Davidson, managing director of the

Second, the joint venture arrangements are bound to pose forbidding management challenges for compamies with such strong traditions. In this, GEC ought to be helped by its diversified structure. The company is not an integrated electronics group in the style of some Japanese and American businesses, with equipment divisions feeding on semiconductor and component activities through a vertical corporate network. It appoints divisional managing directors and runs the business by controlling them: hence the joint ventures will be self-standing organisations.

On the other hand, there could be a problem over profits and strategic objectives. All Lord Weinstock will say on this is that all businessman share the ambition of running efficient operations while Mr Jack Welch, GE's chairman, has made a point of praising GEC's returns. "Compare their margins with those of their European competition," says Mr Welch. "This is one of the most suc-



cessful corporate teams in the world." Finally, when all the rhetoric has been stripped away, to what extent have the deals strengthed market GEC's position in its pursuit of international growth?

The short answer is that most of the proposed deals give GEC potential rather than an immediate market position. Growth at Hotpoint depends on how aggressive the new company is prepared to be, and that will demand some stiff answers to profit margin prospects in a continental European market oversupplied with products. Similarly, in telecommunications a great deal will depend on Siemens' willingness to supply its dis-tribution channels from GPT, and in West German defence electronics GEC will have to build on the alliance with

Moreover, none of the deals helps GEC short-term in the US, where GE has certainly given nothing away and Slemens is pursuing its own go-it-alone strategy. Nor are the deals likely to lead to a greatly enlarged UK semiconductor industry, a subject close to the heart of GECs critics, and where the Plessey and GEC businesses are earmarked for integration into the Siemens activities.

The most immediate gains are more likely to come in the power engineering field, where GEC already has a significant world presence, with just over 50 per cent of its sales overseas. Here, Mr Davidson sees great opportunities to be gained from a broader product range, larger markets, ration-alisation and combined new technology. His views have a prophetic ring about the new shift to reorganisation on a European scale. "If we had not had the restructur-

ing of the power engineering industry in the UK 20 years ago, we would not be in a position to create the second biggest company of its kind in the world today," he says. "We have seen some industries like motor manufacturing go down in Britain in recent times, and we feel that it is now time for our strong company to join with another strong one to expand."

#### LOMBARD

# **Day-dreaming** in Comecon

By David Buchan

announcement that it is join-ing other East European states in restricting scarce consumer goods to its own nationals is gloomy proof that, under peres-troika, things get worse before they get better.

But it also dismally under-

scores how far Comecon countries are from making their monies freely exchangeable with those in the West. This is bad news. The rash of new or impending agreements between the European Commu-nity and individual Comecon countries is encouraging expectations of an important upturn in East-West trade. But even if such an upturn occurred, it could only be sustained by the East moving towards currency convertibility.

Looking glass

It would take a Lewis Carroll to do full justice to the way an Eastern trade war is a Western trade war turned upside down. When commercial hostilities break out within the West, capitalist countries restrict imports from each other. Communist countries and/or centrally planned economies do the opposite; they restrict exports to each other.

Each course of action has its

logic. Capitalist countries have a chronic tendency to have too many goods chasing too few people, so they like to export more than they import. Cursed with over-production — or, at least, constrained by demand - they prize trade surpluses over trade deficits. Comecon countries, by contrast, with their chronic tendency to shortage, always want to import more than they export. Running a surplus with another Comecon country amounts to giving it a free loan, and therefore constitutes a form of economic madness. Deficits are good, surpluses are bad – at least when you look at the looking glass from the

Eastern side. Shortages in several Eastern countries seem to be getting somewhat worse, with freer travel and more cross-border shopping by East Europeans in one another's countries and perhaps more significant – with the disruption inherent in perestroika. But shortages

SOVIET Union's (meat queues in Poland, five neement that it is joinmer East European states ricting scarce consumer long been endemic. For fear of popular unrest, East European governments have generally governments have generally not raised prices sufficiently to stimulate supply and depress demand, and so "clear the mar-ket". Another problem is the "soft" financial conditions for Comecon firms which makes them hoard intermediate goods and place incessant investment demands on the state.

#### Incompatible

Even without shortages, a tautly planned system in which all goods are spoken for and none left over is not only unpropitious for currency convertibility with the West, but downright incompatible with

East European governments still prohibit the export of their currencies. But officials in countries like Hungary and the Soviet Union have talked of making the forint and rouble at least externally convertible. Foreigners, but not Hungarians or Soviet citizens, would have the right to change forints or roubles into Western

But even that is day-dream ing. Obviously it would be slightly less of a mirage if a higher oil price and a lighter debt burden were to boost hard currency reserves in the Soviet Union and Eastern Europe, respectively. But oil prices can not be depended on, and there are limits to debt servicing

The real problem is that while Comecon currencies are theoretically legal claims on the goods and services of Eastern countries, these claims are not freely exercisable; they never will be, as long as central planners remain the allocators of all goods and services. The Gosplanners of the East obviously do not want such claims building up in foreign bands (which is one rea-son why they ban currency export). But until Comecon currencies have the backing of convertibility — into Eastern goods and services as well as Western monies — no West-erner in his right mind would want to hold them.

# LETTERS

#### An ugly inheritance

Sir, Further to Ian David-son's article on the French Revolution (January 12), the relevance for today of these events is not the weary, tepid and irrelevant conflicts between left and right (or Marxism and proto-capitalism), but the more important, more enduring human issues of terrorism and gangsterism.

The tragedy of the high-minded, logical and legally fastidious Maximilian Robespierre was that he believed implicitly in Rous-seau's conception of human nature and the inherent virtue of the "natural man". In the heaving, seething mass of conspiracy, propaganda, insurrection and war that engulied Flat 5P, Golf Court, Strathview Park, virtue was a commodity more Netherlee, scarce than food or culottes. Glasgow, Scotland

#### Unity of a sort

From Mr Antonio Martelli. Sir, If the historical foundations of the preliminary report of the Delors Committee are really those quoted in Mr Peter Norman's article (December 12), it will hardly be a contribution towards an understanding of the problems of European economic integration.

That the whole economy of southern halv was badly damaged by national unity in 1861 is a hard-to-die myth which does not stand serious examination. Italian modern historians of various tendencies agree, in fact, on one point it was not an excess but rather a lack of integration with the rest of the country which prevented southern Italy from taking full benefit of unity.
If the south did not keep full

pace with the growth of northern Italy — which has been among the fastest in the world — it still managed quite well compared to others. In 1860 its development level was more or development level was more or less the same of Greece. This latter country, spared the evils of integration with a stronger area, will have a per capita

income of about \$5100 in 1989. Next year southern Italy will have a *per capita* income of about \$10,500. Whatever the other problems of the *Mezzo*giorno, this can hardly be called, comparatively, an "eco-nomic disaster".

Committee of Public Safety's doomed pruning shears of vice

- turning finally on the incor-

ruptible and bewildered Robes-

today throughout the world

"virtue" remains as fragile and elusive as ever, while the post-

Revolutionary inheritance of

gangsterism and terrorism flourishes everywhere.

pierre himself.

In response to the German parallel mentioned: if German political union was arrived at 55 years after — monetary unity 49 years after — first steps towards economic intesteps towards economic inte-gration, we could speed up the process just a little in Europe in this century by achieving them in the 1990s — that is, more than 40 years after the creation of the European Coal and Steel Community in 1951. But the point is that, in a few years, Europeans will have an economic unity of a sort. A political unity, including a common currency and a cen-

common currency and a cen-tral bank, is a logical step for-ward, the postponement of which can only create confuwhich tail they create confir-sion and damage, particularly to the less developed regions. Antonio Martelli Milan,

#### Bi- or tri-national GEC?

national company, such as is found with Shell Trans-port/Royal Dutch, and the two

From Mr. A.B. Dunlop.

Sir. Might not a solution for the GEC situation be the formation of a bi-national or trimatter of a bi-national or tri-46 Dick Place.

#### EC merger control

From Mr Edward Pitt. Sir, I refer to Mr Stephen Wilks's letter (January 4) deal-ing with Mr Thomas Sharpe's article on EC merger control (December 21).

There is agreement on the It is the greatest irony that both the Terror and the Revo-lution ended with the death of need for a merger control instrument at European Community level, and that the Commission should be respon-sible for its operation. The key Robespierre (according to Barère - reliably, for once) but the real gangsters and natural terrorists survived into Therquestion is how it will work. midor and Empire.
It has ever been thus, and

Experience in two other areas where the Commission exercises executive power which can directly affect the economic interests of companies, suggests that how merge control procedure will work is more than a technical issue. In anti-dumping proceedings

and in competition cases, the Community institutions (in particular the Commission, which has administrative responsibility for these areas) can reach or shape decisions which are of considerable economic significance, not only for the companies concerned but also for the EC as a whole. Furthermore, many cases (particularly in the competition field) are resolved by nego-

tlation and agreement between the Commission and the parties, often without a formal Mr Wilks suggests that the checks and balances within the Commission's procedure ensure that its decisions and informal settlements are consistent and fair. In fact there

are two features of the current system which could diminish its claims to consistency and fairness if applied to merger control. One is practical and the other constitutional: 1. The Competition Directorate General and the Anti-Dumping Division of the External Relations Directorate General of the EC Commission are staffed by skilled lawyers and economists (and people from other disciplines), well experienced to deal with the issues.

Their difficulty is that, as a result of insufficient funding, on occasion it is possible that not enough officials have an in-depth understanding of each case. This shortage of resources means that in prac-tice the influence of one or two officials in a particular pro-ceeding can be decisive on the

The subsequent internal checks and balances, described by Mr Wilks, sometimes appear to be a formality. This situa-tion is compounded by the fact

that, in its administrative functions, the Commission's actions are not subject to full public scrutiny.
This means that legally

adventurous decisions can be taken by the Commission without the public debate which would normally occur, for example, if an EC member state wished to pass legislation or make a change or direction in policy. By the time impor-tant issues affecting individual companies come to be reviewed by the Council of Ministers or the Commission as a collegiate body, they are treated as being "too technical" for political dis-cussion, and are often adopted without debate.

2. In defence of the current sys-tem it is argued that the Euro-pean Court of Justice in Luxemburg exercises judicial control over the Community institutions. However, the Court has shown itself reinc-tant, both in anti-dumping and competition cases, to review the Commission's economic

In merger cases, long delay before the hearing of an appeal in the Court of Justice will almost certainly mean that an appeal to the Court against a Commission refusal of consent to a merger will, in practice, be unlikely. In view of the impracticalities of appeal to the Court, it therefore becomes even more important that Commission merger decisions are both fair and seen to be

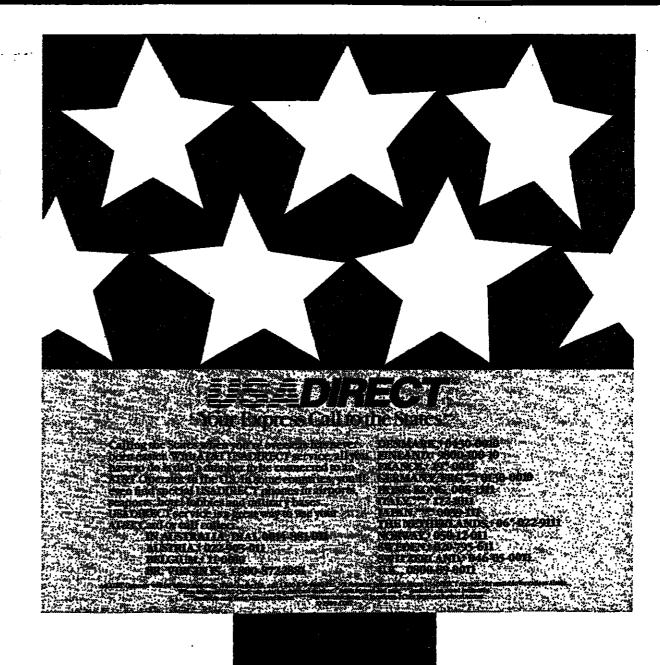
Three things are essential for an effective merger control procedure:

• Adequate resources (that is, people) must be allocated to its implementation;

●The procedure must allow

for effective continuing public debate, both on the general policy guidelines to be followed by the Commission and on its approach to individual cases;

There must be political control (for example, a Commissioner having to explain to the European Parliament why the Commission has taken a particcommission has taken a particular decision, and answer questions on it, and possibly a residual right of EC member states to override a Commission ruling in an individual case) over what could be complicated economic decisions of plicated economic decisions of considerable importance - not only to the parties concerned, but also to the Community. Edward Pitt, 9 Avenue des Gaulois,







# **FINANCIAL TIMES**

Monday January 16 1989



Janet Bush on Wall Street

#### The latest in buy-out **boutiques**

LODESTAR, one of the growing army of Wall Street investment banking and merg-ers and acquisition boutiques, sits in cramped, temporary offices, looking no more than an embryonic operation.

Appearances can be decep-tive. Its two founders built up a considerable track record at Merrill Lynch, Mr Ken Miller was head of the M & A department at Merrill Lynch Capital Markets and Mr Tull Gearreald was the managing director in charge of corporate finance. Within a few months of leav-

ing Merrill, Miller and Gear-reald had bagged a considerable investment by Yamaichi Securities, boasting the largest M & A department in Tokyo. Yamaichi took a 20 per cent stake in Lodestar's M & A advi-

sory business and committed \$100m to a \$250m fund called Interlink. Around half of that has been sold on to Yamaichi's This is the third US investment bank to be backed by one

of the big four Japanese securi-ties houses: Blackstone is doing work with Nikko and Wasserstein, Perella with Nomura. Speculation now rages about whether Daiwa will also take a stake with a Wall Street firm.

A few days ago, Lodestar amounced that Mr Robert Bal-dwin, former chairman and president of Morgan Stanley, was being brought in as part-ner and chairman. Mr Baldwin has a formidable array of contacts in corporate America and on Wall Street and, according to Mr Miller, is a bold and aginative deal maker.

Competition for M & A and buy-out advisory work is tough and Lodestar faces the formida-ble task of building its business from scratch against experienced M & A teams at the large Wall Street securities houses as well as established boutiques such as Wasserstein,

The first test was raising money for the fund. The target was \$500m but, after an arduous year when some Wall Street securities houses were tapping the market for their second leveraged buy-out funds, Lodestar launched the fund with \$250m.

Lodestar's key selling point is its commitment to friendly buy-outs, a line which goes down well with corporation and investors who became disenchanted with the naked aggression on display during the fight over RJR Nabisco.

Indeed, one of the hottest issues in Congress at present is whether legislation should be passed to discourage hostile takeovers and particularly those involving a high level of

junk debt. Lodestar's Interlink fund will be used to build toehold stakes in listed companies of up to 20 per cent. Only with the company's agreement would the stake be raised any

Mr Miller believes building a stake in a company is a good way to open a dialogue which could lead to the chance to work on a restructuring or buy-out. "The way you buy shares is a form of communication with the company," he

Mr Gearreald said that he had looked at around 2,000 companies in the \$100m to \$500m range targeted by Lode-star and judged that maybe 200 of these could benefit substantially from restructuring.

While Lodestar has been painted as a friendly takeover business in contrast, for example, to Kohlberg, Kravis Roberts, Miller and Gearreald are not strictly against junk or leveraged buy-outs and are not "soft" when it comes to putting

deals together. While at Merrill, Mr Gearreald presided over the restructuring of Gelco and defended it against a hostile takeover from the New Yorkbased investment company Coniston Partners through the purchase of Gelco preferred

Gelco, a leasing company, completed the restructuring and was bought - days before the stock market crash - by GE Credit Corporation for three times its share value before the restructuring.

Mr Miller helped Mr Sumner Redstone, president of the National Amusements Cinema chain, take control of Viacom, the cable TV and radio company, in a fierce battle with its own management which planned a buy-out leveraged with junk bonds.

Mr Redstone won with a bid financed by hank debt and, despite the widespread opinion that he had overpaid, some analysts believe Viacom is now worth nearly three times what he spent. Redstone, president of the National Amusements Cinema chain, take control of Viacom, the cable TV and radio company, in a fierce battle with its

he spent.
Lodestar is hoping to replicate these former glories in the brave new world beyond Merrill Lynch.

# Clouds of suspicion over Rabta

Peter Marsh on calls for inspection of Libya's chemicals plant

A visit by an independent engineering team to the chemicals produc-A the chemicals produc-tion complex at Rabta in Libya — which the US says is for making chemical weapons but Libya insists is for pharmaceu-ticals production — would quickly establish which of these versions of the plant's role was correct, according to representatives of the West's chemical industry.

Chemicals experts say that although a pharmaceuticals factory and one for making chemical weapons might look similar from the outside, an internal inspection would easily pinpoint specific features which indicated the plant's purpose.

In the two weeks since the US made its allegations about the Rabta facility, no indepen-dent examination of the plant has been made by outside sources.

A week ago Libya invited

Western journalists to inspect the plant, but they were given only a cursory look at the out-side of the facility in darkness. Chemicals experts believe that if the US's view of the plant's role is correct, the Rabta complex is most likely to be designed to make the chemi-cal warfare agent known as

mustard gas.
This would be produced in a factory as an olly liquid which evolves a lethal vapour when spread on the ground or in the

The US believes West German chemical companies have helped Libya build the plant. In the past few days, prosecu-tors in West Germany have opened a criminal investigation into Imhausen-Chemie, a small German chemicals com-pany which has been at the centre of these allegations.

Another central figure is Mr
Ishan Barbouti, a London-

hased businessman who helped to provide chemical engineer-ing equipment to the Rabta plant between 1985 and 1987. Peter Carter-Ruck and Partners, London solicitors acting for Mr Barbouti, said that to the best of Mr Barbouti's knowledge the plant was for making pharmaceuticals. A

ther on Mr Barbouti's involve-ment in the project. Over the weekend, Mr Barbouti was not at his London home, where yesterday he was said to be away at an unknown

spokesman for the solicitors

said he could not elaborate fur-



Libya

place. He was due to return in

The controversy over the true purpose of the Rabta plant

Detailed plant engineering:
 According to Western chemical

engineers, it would be fairly easy to tell by looking inside the Rabta plant whether it was

for pharmaceuticals or for making a substance such as

involves several elements:

the next few days.

#### Bonn opposition challenges Kohl

West German Chancellor Helmut Kohl came under strong attack from the Bonn opposition this weekend over his handling of allegations that West German companies sold equipment for a suspected Libyan chemical weapons plant, writes Andrew Fisher in

Frankfurt.
Mr Hans-Jochen Vogel, head of the Social Democratic Party (SPD), accused Mr Kohl of (SFD), accused in Koli of severely damaging West Ger-many's foreign and domestic political reputation by not act-

cal industry are puzzled by the location of the Rabta plant, 400 miles away from a big new Lib-yan petrochemicals complex at the port of Ras Lanuf. If the Rabta plant were for pharma-ceuticals, these observers say, it would have been far more logical for Libya to have sited this at the Ras Lanuf complex

Most pharmaceuticals are made as solid tablets – in which case a plant for producing them would have powder-handling facilities and other systems for mixing solid ingresystems for mixing solid ingredients – while a mustard gas factory would be designed for handling only liquids in the final production stages.

Most pharmaceutical factories in developing countries buy in solid raw materials, called intermediate chemicals

called intermediate chemicals from other chemical suppliers and mix them in set ratios to produce specific classes of drugs such as antibiotics, anti-inflammatory preparations or if the Rabta plant were for pharmaceuticals it would be

towards making one or more specific drug classes, and a detailed examination of the plant would probably give clues as to which these were. According to one UK pharmaceutical industry manager, it would be highly unlikely for a plant engineer to be able to switch a factory from making pharmaceuticals of this kind to one for producing mustard gas without this being glaringly obvious to an inspection team

almost certainly be geared

of engineers.

Site of Rabta plant: Representatives of the chemi- which includes an oil refi-nery, a power plant and a facil-ity for making 300,000 tonnes a year of ethylene, a basic raw material in the chemical indus-

A pharmaceutical plant at Ras Lanuf, which Libya has constructed over the past decade at a cost of \$2bn and with much help from Western engineering contractors, would have been able to gain access to supplies of water and energy and also fire-fighting systems already installed at the Ras

Mr Roger Longley, a director of Chem Systems International, a London-based chemicals consultancy, said it was "most unusual" to see a developing nation like Libya put different types of chemical plants in widely separated locations rather than siting them together.
• Requirement by Libya for

drugs production: Some chemical industry observers say it would be highly unusual for Libya, with its small population and relatively newly-established chemical industry, to have any need to move into the specialised business of drugs production. Comparatively few developing nations such as Libya have moved into this field rather than buying in their drugs from abroad.
"There's virtually no market ment spokesman, said a committee of experts, back from the US on Saturday, had found nothing in US evidence on West German participation in the alleged Libyan chemical weapons plant that would stand up in court.

Replying to Mr Vogel's charges, Mr Ost said there was a difference between tip-offs and hard information.

ing months ago on intelligence information that West German

companies might be involved.

Mr Friedhelm Ost, govern-ment spokesman, said a com-

for drugs in Libya," said Mr Bob Muller, a chemicals ana-lyst at SRI International, a Cal-ifornia-based chemicals consul-"If I was asked to advise where to place a pharmaceuti-cals plant, then there are about 100 countries I would advocate putting it before I came to

• Involvement in Libya by international chemical engineering companies: In the past decade many Euro-pean and US chemical engineering contractors have been active in Libya.

The main involvement has been in working on the Ras Lanuf complex and on a big oil refinery at Az Zawiyah, near Tripoli. Libya has also been involved in detailed discussions with foreign contractors about possible participation in plans to build new chemicals facilities at Ras Lanuf to make ethylene-based materials such as plastics and ethylene glycol,

a product used for antifreeze
and as a paint additive.

Among the engineering companies which have had contacts or done work in Libya in the past decade are Stone and Webster of the US and Italy's Snamprogetti and Technimont, a subsidiary of Montedison. There has also been involvement by many other, much smaller engineering subcon-

tractors. Besides the West German companies, which the US sus-pects may have helped in the Rabta plant, there would have also been plenty of opportunity, in theory at least, for companies such as these to have been asked to provide equipment or expertise for the factory.

### THE LEX COLUMN

# Business as usual in Tokyo

When just about every broker and fund manager in town is predicting an exalted future for one particular market, normal mortals might feel that some-thing awful is about to happen. But normal mortals have been wrong before - quite a lot of the time about the Tokyo market. And though the sight of the Nikkel tripping lightly from peak to peak must at some point attract retribution from the heavens, all the signs at the moment are: not yet

awhile.

Today, Tokyo is sleeping off the effort of last week's exer-tions, which put the index up by 3.6 per cent in five trading days. It may return from the long weekend with enthusiasm cooled by the break; but the weight of arguments in favour of a continued rise should soon get the Nikkei moving again. Even on its own, the weight of money argument is persuasive: first there is all the money sidelined while the Emperor was ill, which is now falling head over heels into equities; and then there is an extra Y1.5 trillion or so in net bond redemptions expected next month. Bond yields are still the right side of 5 per cent by enough of a margin to send

that money into equities.

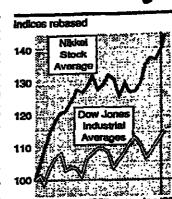
Meanwhile, the economy seems to have achieved what everyone seeks but no one else has found: high growth with low inflation. Indeed, in terms of fundamentals, there is very little to spoil the view; economic growth, corporate profits, interest rates and inflation are all on the equity market's side. If all this seems too rosy for words, then focus on whether a weaker yen and stronger oil price could lead to higher interest rates. But unless they do - and the odds are not on such a scenario at the moment - there seems little short term cause for dismay. As long as all those yen are held captive in Tokyo by the exchange rate, it is hard to see Tokyo disappointing by much.

#### Index funds

which fund managers are flog-ging index funds - Lazards, James Capel and London & Rishopsgate joined the throng last week - one might have thought they were out to kill standard way of marketing these funds seems to involve rubbishing the skills of the fund manager, using carefully chosen statistics to prove that most underperform the revelevant indices most of the time.

It is not suprising that most of the tracker funds so far have come from the newcomers to the industry, with the old tim-

From the determination with



ers such as M&G loath to admit what would feel like defeat. Instead, they have responded with statistical proof of their own investment prowess, in the hope that this latest batch will go the way of the once-fashionable energy

While that hope seems vain, probably the old fashioned managers should stop worry-ing. The war between the two camps over who has performed and who has not is both mis-leading, and rather misses the point. Most of the marketing for index funds proves only that managed funds underper-form the index when all the costs are taken into account. Once the costs of investing in a tracker fund are included, underperformance is more or less guaranteed. More impor-tant, the new funds should probably be seen not as alternatives but as additions to managed funds, providing a home for money that is too risk-averse for managed trusts, and too daring for the building

and technology funds.

That explains the timing of the index craze. Since the crash it has become almost impossible to sell straightforward equity funds, whereas selling a more predictable index fund seems somewhat easier. Moreover, running such funds can be profitable, espe-cially in a closed end vehicle that does not have to deal with bothersome flows in and out. The 0.65 per cent fee on London & Bishopgate's fund should make the first ever indexed investment trust a nice little earner for Mr Max-

The great shift to international investment has also played its part in the index fashion. Any portfolio without a substantial chunk of Japan has underperformed the world index, while specialist Japan funds have also done much worse than the local index. However, these numbers should be used with care. Japan funds have done badly this decade mainly because they have been underweight in financials; but last decade they outperformed for the same rea-son. There is a danger that once again the fund manage-ment industry has jumped onto a bandwagon when it is too

#### Wall Street

The behaviour of Wall Street over the last few weeks has been rather perverse. Back in November when Mr Bush won the election, the market fell by 4 per cent and there was a run on the dollar. Since then US equities have rallied by close to 10 per cent, the world's cen-tral banks are having trouble stemming the dollar's rise and worries of yet higher US inter-est rates have been forgotten as Wall Street's favourite son prepares for this week's presi-dential inauguration. Is Mr Bush about to inherit some of

his predecessor's legendary luck in financial matters?. Wall Street has now recouped roughly half of the losses incurred between its peak of 2722.4 in August 1987 and its low of 1738.7 on Black Monday. Fears of a recession have eased, there is plenty of money on the sidelines as institutional liquidity benefits from record share buybacks and takeover activity, and worries about the dollar have receded for the moment. Meanwhile, last week's news that an indus trial heavyweight like Ford Motor had increased its dividend by 25 per cent - putting its shares on a yield of 5.7 per cent - was bound to help sent-

However, Mr Bush's honey-moon with the financial mar-kets will probably not last for long. The rally of the past few weeks is evidence of how quickly investor psychology can change and there are plenty of reasons which might trigger a negative response. Here are a few. Oil prices have risen by close to a third since Mr Bush won the election and whilst it may be no more than a temporary blip, it could still put upward pressure on US wholesale prices which grew faster last year that at any time since 1981.

likely to decelerate from the 25 per cent plus rates in 1986 and 1987 to less than 10 per cent in the current year, and the US trade figures could still provide some nasty surprises. Mr Bush inherits an economy where growth is slowing and inflation is rising and this is hardly the fuel for a sustained bull market rally.

# Czech police clash with demonstrators

HUNDREDS of Czechoslovak police clashed yesterday with about 2,000 people assembled in Prague to commemorate the public suicide of Jan Palach, a Czech student, 20 years ago. Yesterday's demonstration was the third serious gathering of opposition groups in Prague in the past six months. At least one person was

injured and several others badly beaten as riot police moved in on the crowd, which had gathered on Wencesias Square, the kilometre-long bou-levard at the centre of the capital. There were at least 12 arrests.

the crowd moved towards the statue of St Wenceslas, where Palach set fire to himself on January 16 1969 to protest against the Soviet invasion in

The demonstrators fled down the length of the square, amid cries of "Gestapo", but about 800 reformed to sing the national anthem. They were attacked again as they shouted, "Freedom, Freedom, Freedom!"

Police, many with dogs on leashes, then charged into another 1,000 people gathered

Witnesses said that police at the opposite end of the charged as a large section of the crowd moved towards the cannon to force them into side threats that some streets.

Two people trying to help an old woman who fell in the melee were seen being beaten by police. Demonstrators were also seen surrounding policemen, yelling for an ambulance to assist somebody they said was badly injured. Yesterday's demonstration went ahead despite a ban imposed by the anthorities last week. In the last few days, police have made repeated attempts to dissuade people from attending the rally, and have kept track of

There had been anonymous threats that someone might copy Palach's self-immolation at yesterday's gathering, but the threat was not carried out.
The largest recent demonstration in Prague occurred last August, on the 20th anni-

versary of the Soviet invasion.

In October, riot police charged 5,000 demonstrators commemorating the 70th anniversary of Czech independence in Prague. The following month an independent meeting of intellectuals from East and West was broken up in a Prague hotel restaurant

#### Titans gather to play out a power game bines which account for about if it was to remain viable.

Last March, Mr Welch first met Lord Weinstock. GE had digested the acquisition of CGR, the French medical electronics business it had bought from Thomson, and Mr Weich thought it needed to do deals in other sectors of its business to prepare for 1992. He outlined to Lord Wein-

stock a plan of pooling their European activities in four sectors – domestic appliances, power engineering, medical electronics and electrical distribution equipment.
At around this time, GEC

had started detailed negotia-tions with Alsthom, owned by Compagnie Générale de L'Elec-tricité (CGE) of France, about pooling all their activities in power engineering. GE was brought into these discussions, but fairly quickly its involvement was limited to gas tur-

10 per cent of the total.

Mr Welch's next move came in June, when he again met Lord Weinstock and meeting between the companies began. Late in September, Mr Kar-lheinz Kaske, chief executive of West Germany's Siemens, dropped by to see Lord Wein-stock. Mr Kaske also wanted a deal with GEC on power engineering, but Lord Weinstock was not keen.

He felt that Alsthom's tech-

nology was more suitable. He also was worried that Siemens' power engineering interests were so much bigger than GEC's that he would be the

junior partner.

Back in March 1988, GEC and Plessey had merged their telecommunications businesses into a new 50-50 joint venture, GPT. However, both sides realised that GPT would need a strong foreign partner

WORLD WEATHER 7. 77 16 58 Phodos 11 52 Pho de Jo 32 96 Ross 31 85 Satzburj 35 77 Secul 60 37 Singaport 60 32 Straibburg 74 85 Straibburg 17 63 C-Cloudy D-Drizzle F-Fair Fo-Fog K-Hall S-Sain 16 61 S-Sco Si-Sient So-Seow 7-Thunder

The most attractive ontion to Lord Weinstock was a deal European credentials.

In September, Lord Weinstock decided that Siemens and GEC should launch a joint bid for Plessey. This would find a partner for GPT and also get hold of Plessey's also get hold of Plessey's defence businesses — an earlier attempt in 1886 was frustrated by the Monopolies and Mergers Commission (MMC).

Mr Kaske agreed in principle within a few days. Meanwhile, GEC's negotiations with GE had stalled.

When GEC and Siemens launched their £1.7bn (£3bn)

When GEC and Siemens launched their £1.7bn (\$3bn) bld for Plessey on November 15, the pace quickened. The next Monday, Mr Gomez of Thomson strived in London to see Lord Weinstock. He wanted a slice of Plessey's defence business, arguing that GEC/Siemens would have to sell part of it to get round the sell part of it to get round the MMC. Lord Weinstock refused to give a definite commitment. Meanwhile, Lazard was pursuing various options for a defence for Plessey. One would have involved a merger between Plessey and STC, which would then have bid for

GEC. This collapsed before Christmas, because it was impossible to agree on terms. At the same time, GE hired N.M. Rothschild. The merchant bank came up with at least one alternative way of structuring a bid for GEC. fronted by Lord King, chairman of British Airways. Lord Weinstock soon got wind of Lazard's plans and GE's possible involvement. He

confronted Mr Welch with the rumours that GE was involved in a bid for GEC. The GE chief confirmed there was a grain of truth. Lord Weinstock then told him the four-pronged deal they had been talking about since March was still on.

Lazard's plans, however, appeared to be flagging and it was only after Christmas that they got going again. The shape of the consortium, however, had now changed and centred on a shell company, called Metsun, which was to be chaired by Sir John Cuck-

ney.
The revised plan effectively cut GE out of the action.
Lazard appears to have been worried about the implications of too great an involvement by foreign companies.

Mr Fresco was not told about the new structure until just after the New Year.
By early last week, STC was reassessing its role in the Metsun consortium. After a board meeting on Tuesday, Mr Arthur Walsh, chief executive, said STC was unlikely to take part. The company thought the price of nearly £1.8bn being asked for the whole of GPT was more than it could afford. Attempts to change STC's mind failed. Towards the end of the week, Lazard opened serious negotiations with AT&T to fill STC's place.

Meanwhile, last Tuesday, Mr.
Welch arrived in Lendon with Welch arrived in London with

a retinue of advisers. He "danced seriously" with Metsun. However, Lord Weinstock's assurance that the deal was still on swayed Mr Welch over to the GEC camp.



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# **FINANCIAL TIMES** COMPANIES & MARKETS

Monday January 16 1989



#### INSIDE

usual

#### Fruitful invasion of Continental Europe



Over the past 18 months British companies have spent more than £100m buying up 11 fresh pro-duce distributors in Continental Europe. One of the invaders — Albert Fisher — is now the targest fruit handler in the Netherlands. The trend is a clear response to the erosion of trade barriers opened up by 1992. And British

distributors, used to the exacting demands of UK retailers, seem particularly well placed to capitalise on the fragmen-tation of the continental market. Page 17

#### A flood of Japanese paper

First a trickle, then the flood: Japanese equity warrant new issues will be hitting the Euromarket heavily in the rest of January and February, raising afresh questions as to whether such a weight of new paper can be absorbed. No-one is forgetting the crash of the market last June, though syndicators at Japanese brokers remain in confident mood. Page 14

#### Bid volleys from Wardle Storeys



Mr Brian Taylor (left), chief executive of the diversified British group Wardle Storeys, likes to spend his free time shooting pheasants. Game of a very different sort has been in his sights over the past few weeks as he has tried to bag Armstrong Equip-ment, an Industrial fas-

eners and motor components group, with a hostile bid. But vic-tory is far from certain. Page 18

#### The perils of new pay practices

Performance-related pay is becoming a symbol ible, customer-driven business. But, argues Charles Leadbeater in the Business Column, this shift in philosophy creates tricky questions for companies — of definition, measurement and impact on staff morale. Page 30

#### Market Statistics

Base lending rates
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#### Companies in this section

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Ledbroke Legal & General Nabisco's Del Monte Northern Foods 15 Oce-v D Grammet 16 Once-Grucycsa 16 Thomson T-Line 18 United Biscuits 16 N Hamo Public

# New dynasty captures Dallas-style boardroom

Paul Betts and Lisa Wood explain how one of France's most stormy business soap opera's could be drawing to a close

His opportunity to pounce on LVMH came because of the infighting which followed the

1987 merger: the Moët-Hennessy camp, led by Mr Alain Chevalier, and the Louis Vuitton clan,

Mr Racamier contacted Mr Arnault while Mr Chevalier

looked for support from Mr Ten-nant, his old friend at Guinness.

An uneasy truce was negotiated which gave Mr Arnault, in part-nership with Guinness, the

opportunity to become a key shareholder of LVMH. Mr Arnault was not content to

play a passive role in a company which, in Mr Tennant's words, was turning into a real life Dal-

las-type soap opera as a result of

the interminable internal squab-

that a corporate restructuring being proposed by the Chevaller and Racamier camps would

dilute his role at the group, Mr Arnault spent nearly FFr4bn to increase his stake to more than

40 per cent. It became clear that there was not room for both Mr

Arnault and Mr Chevalier, the

cent to nearly FFr2bn on sales of

FFr16.3bn - the rifts were beginning to have a seriously destabl-

to simplify and stream-line the structure of LVMH and

establish a clear leadership. But he will now have to prove him-self not only as a smart financier

but also as an industrial man-

one. Even though he was unani-

mously elected chairman on Fri-day, the group's traditional fam-

ily shareholders will clearly seek

to maintain their autonomy and

voice in the affairs of the com-

Just before Christmas, fearing

Racamier, fell out.

ded by the veteran Mr Henry

r Bernard Arnault will be moving in this morn-ing to the ritxy Parisian offices of Moët-Hennessy near the Etoile. His arrival will mark one of the most astonishing business coups in French corporate his-

In barely eight months, the 39-year-old Arnault has risen from relatively unknown businessman relatively unknown businessman
to head of one of France's most
famous but strife-torn companies
— Moët Hennessy-Louis Vuitton
(LVMH), the champagne, cognac
and luxury products group.
Immediately after his appointment as chairman on Friday, he
called in company managers to
make it crystal clear he was now
in charge: "There is no question.

in charge: "There is no question. He is the boss," Mr Anthony Ten-nant, the chief executive of British drinks group Guinness, remarked in Paris on Friday

With Guinness, Mr Arnault now controls 43.5 per cent of the fully diluted share capital of LVMH and has gained a domi-nant position on the company's board, which has been split into two hostile camps ever since the merger 18 months ago between Louis Vuitton, the leather and accessories business, and Moët Hennessy. Mr Arnault's father, Jean, is

chairman of the LVMH supervi-sory board, while he heads the company's six-man executive board flanked by two other repre-sentatives from his own camp and one from Guinness. So how has he done it, and what does his victory mean both

for LVMH and for Guinness? Mr Arnault's ascent has been widely hailed in France as the victory of a new breed of young French financiers over the traditional business establishment. But he has above all displayed an extraordinary sense of opportunism during the last few years.

Starting off as a property devel-oper in the family business, the cool and worksholic Arnault seized his first big opportunity in 1984 by taking over and engineering the recovery of the bankrupt

Boussac textile empire. He then moved into retailing and the luxury sector with Dior. Celine and more recently Chris-tian Lacrotx. By 1987, his Finan-ciere Agache holding company had already built up an annual turnover of more than FFr12bn



Bernard Arnault: Not content to play a passive role

chairman of the executive hoard on Friday, is unlikely to abandon his ambitions to run the Louis Vuitton side of the business with complete autonomy. The Hen-nessy cognac and Moët-Chandon champagne businesses, which Mr Chevalter spent 18 years building up, are also likely to try to seek a strong measure of management

autonomy.

However, Mr Arnault will have the backing of Guinness, which has emerged from the affair with a considerably enhanced influence at the French group – and, thanks to a low key approach, without stirring up French chautinism.

t first teamed up with LVMH in 1987, establishing a series of joint ventures with Moët Hennessy in the US and Far East. These made it the envy of other British drinks groups.

Joint ventures are an impor-tant part of Guinness's plan to gain greater control over the marketing and distribution of its spirits brands and thus upgrade their international image.

To protect its interests when the LVMH feuding intensified. Guinness, with Mr Arnault, took group's incumbent chairman, at the top, and last Thursday Mr Chevalier quit.

The emergence of a clear winner should bring a degree of equian equity stake in the group. When the most recent round of share-buying is included, it will end up with a fully diluted hold-ing of 19.6 per cent and a seat on librium to the group: although the internal squabbles have so far not undermined the group's performance — profits for 1988 are expected to rise by 50 per the LVMH executive board. This will be occupied by Mr Tony Greener, managing director of United Distillers, Guinness's spirits subsidiary, and signifi-cantly, a former managing direc-tor of luxury goods group Dun-hill. Mr Tennant is already on the supervisory board r Armault said last week that the time had

the supervisory board.

The total cost of the stake could be as much as £800m, but Mr Tennant insists that the latest 2200m investment will not dilute earnings.

The remark might suggest that this year's LVMH figures are looking very encouraging. How-ever, the final outcome must depend crucially on Mr Arnault's navigating skills. His task will not be an easy

So far he has hardly put a foot wrong. But the next few months will tell whether he can succeed in pulling together the various parts of LVMH and bringing the curtain down on one of the most stormy and theatrical melodra-Mr Henry Racamier, the head mas to have shaken a major of Louis Vuitton, named deputy French company in recent years.

# The Delphic tendencies of Mr Bush

By Anthony Harris in Washington

hen I was a student, the in book to read was called Seven Types of Ambiguity. This only goes to show that you never know which part of your education is practical; for President-elect Bush may be about to raise the score. It is always difficult to know precisely what he means, for he is rather impressionist in his use of words, but one can usually get his drift.

Not always, though.
Last Thursday, for example, Mr
Bush said his piece on leveraged
buy-outs. The Washington Post,
which is against them, said that
he was opposed to buy-outs; the Washington Times, which is rather in favour, said that he was opposed to restrictions on buyouts. The markets are clearly going to have an interesting time

reading his lips.

What Mr Bush actually said was that he himself was "one who would, as much as possible, rely on market forces" and was "not opposed to bigness." Sighs of relief from Mr Boone Pickens and the shareholders' lobby. Mr Bush added, however: "I am in favour of the Government seeing that there is no abuse through the tax system." This kind of shimmers when you try to get close to it, for abuse is very much in the eye of the beholder.

The general drift seems to be that if Mr Bush's friend Mr Nicholas Brady, the Treasury secretary, wants to impede LBOs through the tax code, he can go ahead; and Mr Brady has indicated a general unease about the growth of corporate debt. This suggests that something will be done (and indeed Congress is in a mood to insist on it even if the Administration were not willing

on its own).

However, it also suggests that
the decision will take rather a long time. Meanwhile, we can expect a rush of attempted buyouts to beat the restrictions. This may not succeed, though, to judge by the slow progress which Kohlberg, Kravis and Roberts is making in assembling the finance for its \$200n (£11hn) BJR buy-out.

The junk-bond specialists are getting cautious - Drexel Burn-ham Lambert is now reported to be considering two former chair-men of the Securities and Exchange Commission in its search for a new chairman. Junk bond investors are getting a little choosy. This is partly because of reports that the Federal Open Market Committee is becoming

interest rates; a recession caused by high short-term rates would be a nightmare for the over-lever-

aged.

More important, perhaps, the Treasury bond market is beginning to look very attractive. The very flat December retail sales figures were read by investors as confirmation that the 200 basis-point rise in short rates which the Fed has imposed since the summer may be enough to do the job, and that a growth recession at least is now on the cards. If this is right, long rates may already have peaked, even if the FOMC continues to squeeze the short market a bit longer just to make sure.

The scene is set, in short, for a flight into quality; in a recession, yields on Treasuries could fall sharply, but the higher yields on junk bonds are liable to rise. On this scenario, market forces are likely to check the buy-out boom long before Mr Bush is forced to make an actual unambiguous make an actual, unambiguous decision, and he will no doubt be

much relieved.

It is worth noting that it is not only the forces in the investment market which are involved here. If interest rates do turn, it will be largely because consumers started to restrain their spending as early as last summer, before the Fed pushed rates up. This will be something of a relief to Mr Bush, who is not happy about the possibility of being forced to deflate the economy just after winning an election on a promise of sustained growth; and it will also increase the demand for the services of Mr Beryl Sprinkel.

Mr Sprinkel, now in his last week as Chairman of the Council of Economic Advisors, will probably be looking to the lecture cir-cuit for a considerable share of his future income, and events are now making his unchanged monetarist beliefs look quite per-

His final Economic Report of the President included a long, well-reasoned attack on the Fed for basing monetary policy on economic indicators rather than

Mr Sprinkel has obviously been itching to say this for a long time; the money numbers have been very moderate for some months. If the Fed does fall into the old central bankers's trap of doing too much, too late, his fees will rise, providing a further illustration of market forces. He will be able not only to cri-



belief that a great deal two much is made about the US fiscal defi-cit; for the latest figures from the Office of Management and the Budget show that the deficit is at present rising, not falling, but the present rising, not falling, but the economy may be slowing do wn all the same. This is actually rather a forbidding report, because it suggests that cutting the deficit is going to be a great deal harder than Mr Read-my-lips may use realize.

deal harder than Mr Read-my-lips may yet realise.

This message is buried in the fine print. On the face of it, it shows that Mr Reagan's farewell budget, which Mr Bush has hailed in principle, would reduce the deficit by nearly \$700n, from the current estimate of \$162.5bn for fiscal 1989 to \$92.5bn in 1990.

Close inspection reveals a lot of

Close inspection reveals a lot of smoke and mirrors. First, \$10bn to \$15bn of the overshoot seems to be due to bringing some 1990 expenditures forward in 1989. A further \$8bn is due to some tricky assumptions about the annual pattern of spending on thrift industry rescues, and a fur-ther \$12bn to economic and inter-

est rate assumptions
If we put expenditures back into the years originally intended, smooth the thrift out-lays, and adopt consensus economic assumptions, the current year deficit falls back to \$151bn, and the 1990 figure rises to \$121bn to \$126bn. On this figuring, a politically unacceptable Reagan programme results in quite inadequate cuts in the defi-

There are two broad anti-LBO schemes now under consideration. One, which Mr Brady seems to favour, would start from the fact that junk bonds are in essence, and may in the near future prove in painful fact to be risk capital. The idea is to treat bonds past a certain leverage limit as interest-paying equity, to be services from taxed income. A to abolish the tax on corporate profits, and impose a cash-flow

Both approaches would reduce or eliminate the tax advantages of borrowing, and give corresponding benefits to the Treasury. Combined with a cut in the Reagan defence proposals, and a sensible measure to take thrift rescues off the budget on the water-under-the-bridge principle, it might still enable Mr Bush to scrape home on one of his less ambiguous pledges - no new taxes. Not for voters, anyway.

#### Economics Notebook

# Beware of the statistical trap

THE FIRST law of the economic jungle is to beware of traps. If economic statistics show something different from what rational thinking would suggest, don't just throw out the theory.

The rule is particularly fit-

ting in the run up to a budget.
This time last year, three months after the stock market crash, economic indicators pointed to a slowdown in growth, almost certainly encouraging tax cuts amounced in the Budget. But many economic com-mentators had to scratch their

heads for a convincing reason why a drop in share prices should have such a far-reaching impact. In the long run their doubts were justified. This year the Treasury will be anxious to avoid that pitfall as it looks for signs that high interest rates are slowing the economy down. Yet it is not obvious what their yardstick

Clearly there are long lags involved. Interest rates started moving upwards in June - six months ago - but still evidence that they are having an effect is sketchy and probably no more definite than the evi-dence behind last year's phan-

tom slowdown. Take the housing market. The Treasury cites it as an area where its policy is beginning to work. Turnover has dropped and prices are rising far less rapidly and may, in some instances, even have

To attribute this soley to high interest rates, however, could be misleading. The link between interest rates and housing costs is not clear. Prices may have cooled simply because of a natural correction after years of rapid growth, coupled with a pause after the change in tax treatment of multiple mortgages in August which had led to frantic activ-

which directly result in less to

spend in shops.

Nevertheless it pays to be patient. November's fall in retail sales, even if repeated in figures for December published today, may not be due to interest rate effects but other, easily reversible, factors such as a fall in confidence.

Economic theory suggests the impact on consumer spending takes time. This is illustrated in a study by Michael Dicks of the Bank of England\*.

Additional takes to the spending that and output figures are particularly volatile.

Probably the indicator least prone to this is M0, the narrow trated in a study by Michael Dicks of the Bank of England\*. His paper, which attempts to improve previous models of improve previous models of consumer spending, finds a link during the 1980s between interest rates and spending on non-durable goods such as food, clothing and services which account for about 90 per cent of consumer top.

on non-ouranes. This could be due to other studies looking at the experience of the 1970s and not taking account of financial deregulation this decade.

Less desirable, however, are the time lags implicit in his calculations which can be worked out from the specifications set out in the paper. After six months, only about an eighth of the total effect of a rise in base rates has emerged and even after two years, just half has worked through. In other words, some effects of last year's rises in base rates may not become apparent until data for the first few months of this year are published.

ity beforehand. The full impact of interest rates could still be tors could take longer. A downo come. turn in manufacturing output
Instead interest rates effects and employment would follow are likely to be seen earlier in consumer spending. High base in domestic demand. More serirates mean higher mortgages ously for nervous financial markets the current account deficit will be one of the lon-

gest lagging indicators.

A big additional difficulty is the problem of imperfect information. At best economic statistics refer to the previous month and at worst are so subject to revision that little meaningful can be read into a single month's data. Consumer

measure of the money supply which consists almost entirely

tion.
This should act as an food, clothing and services which account for about 90 per cent of consumption.

Superficially, this is good news for the Government:
Although a link with durable goods (washing machines and motor cars, for instance) has long been established, previous economic studies have often found no effect of interest rates on non-durables. This could be could be pointing to a slow-down, although this has not the experience of the 1970s and yet shown up in annual rates. But M0 is not a leading indi-

cator of consumer spending. Effects of interest rate rises will take time to feed through. It would be a mistake to assume an immediate moderation is a cue for jettisoning the textbooks and planning fiscal largess in the March Budget.

\*The interest elasticity of con-sumers' expenditure. Discussion paper 20, Economics Division, Bank of England, London EC2R

Ralph Atkins

#### THIS WEEK

US TRADE figures on Wednesday are set to dominate economic news this week but a welter of economic statistics in the UK could also attract con-

siderable attention.

The size of the US trade deficit could determine the future path of the dollar and give a guide to the the extent of adjustment in world trade imbalances. The consensus of analysts forecasts, compiled by MMS International, the financial research company, is for a merchandise trade deficit of \$9.6bn in November on a cus-

toms imports basis.
US inflation features on Thursday when the consumer price index for December is published. The consensus is for a rise of 0.4 per cent. Other key statistics, which

will give a guide to possible wage and price pressures, include industrial production figures and capacity utilisation figures on Wednesday. The consensus is for a 0.3 per cent rise in production and 84.2 per cent utilisation.

Japanese trade figures for December will be published sometime this week and will show the extent the monthly surpluses increased towards the end of last year.
UK figures include retail

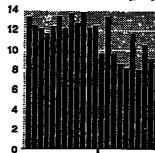
sales figures today, average earnings figures on Thursday and money supply and retail price index (RPI) statistics on Friday. The Government and other analysts will be watching carefully for evidence of the hoped for slowdown in con-

hoped for slowdown in con-sumer spending and an easing of inflationary pressures.

The consensus is for retail sales to rise by 0.5 per cent in December after a 0.5 per cent fall in November. A larger increase could intensify fears that interest rates will have to rise still higher. On the same theme, con-sumer expenditure figures for

the last three months of 1988 on Friday will show the strength of spending at the end of the year.

The RPI is expected to have



1988 1987

increased by 0.3 per cent in December. This would take the annual rate of inflation to 6.8 per cent compared with 6.4 per cent in November. Average earnings are expected to be unchanged at 9 per cent a year. Among December's money supply figures, M0, the narrow measure, is likely to receive most attention. The consensus

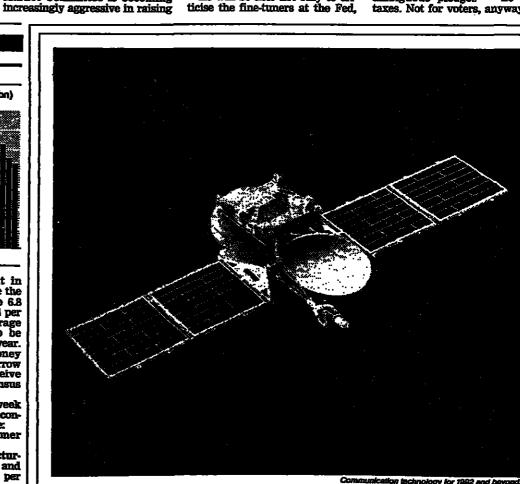
is for a 0.6 per cent rise. Other statistics this week (with MMS International consensus in brackets) include: Today: French consumer

prices.
Tomorrow: US manufacturing and trade, inventories and sales in November (+0.3 per

Wednesday: UK public sector borrowing requirement in December (-£1.2bn). US two-year Treasury note announce-

statistics including unemployment (35,000 fall), manufacturing output in November (0.4 per cent rise), vehicle production in December, institutional investment in three months to September. US housing starts in December (1.5m), 52-week Treasury bill settlement, monthly monetary aggregates. Japanese machinery orders for

Friday: Japanese money sup-ply figures for December. UK tax and price index. Cyclical



#### TO US IT'S JUST ANOTHER BEGINNING.

This fiscal year Toshiba will spend around \$1.9 billion on the research and development of new beginnings like this broadcast satellite technology. Toshiba creates these satellites to help improve communications around the world. They join Toshiba's vast world of home electronics, office technology, electronic components and medical technology.

> In Touch with Tomorrow TOSHIBA

#### INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS

# Japanese equity warrant new issues set to flood in

THE TRICKLE of Japanese equity warrant new issues last week is set to turn into a flood during the rest of January. According to the official calen-dar, up to \$8bn of issues is lined up, with \$3bn spread between five launches scheduled for January 26 alone.

February too is set to be busy, with one securities house forecasting that new issue levels will nearly match those in January. As knowledge of this volume has been absorbed by the Euromarket as a whole, old questions about the equity warrant business have been

T

The prime query is whether the market will be able to paper. Events in June last year when the market crashed are cited as the best reason for caution. Further, the longer-

500 200 150

500

150

200 50 100

60

300 200

1996 1993 1993

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1992 1999

1990

1994

1994 1996 1994

1999 1994 1996

**BLYTOWERS** 

US DOLLARS

Sumitomo Bank§

Nichiman Corp.∳♦

Japan Finance Corp.

Japan Finance Corp.

Nippon Credit Bank

Scand.Airlines System

Mitsubishi Trust Fin.

Particular Pa

Union Bank of Fin

CANADIAN DOLLARS

Cen.Desjardins Quebec♦ Export Dev. Corp.♦ Bk Handel und Ind.♦

Skand Enskilda Banken 🌢

AUSTRALIAN DOLLARS

State Bank of Victoria

Exxon Capital Corp.

ABN Australia Bank of Scotland(d) Rabobank Nederland

BP America 6

D-MARKS

Swedish Export Credit®

Nat. Bank of Hungary

Oest. Kontrolibank

◆

Abbey National B/Se

NEW ZEALAND DOLLARS

Hvdro-Quebec●

Metro Toronto

World Bank∳ Nitto Boackin•

under debate.

However, syndicate managers at the Japanese brokers that dominate the equity war-rant business are in confident mood. They claim that they have learned the hard way how to stay within the market's capacity for paper. They also know that they will continue to find such issues a major source of profits.

The year-end league tables provided eloquent testimony to the extent to which profitabil-ity in the Euromarkets last year was sustained by Japa-nese equity warrants. The particular dependence of the Japa-nese houses on such deals has been well documented.

Yamaichi, for example, derived some 75 per cent of its new issue business from equity warrant deals, Nikko 72 per

Coupon

100 100 100

101 % 100 101 % 101.45

100.80

101.40 101.4

101¾ 101.15 101¾

1017

102 1015 1014

101%

100 100

100% 100 101%

14

term future of the sector is also cent, Nomura nearly 59 per which is still breaking new under debate. cent and Daiwa some 58 per ground, and the fact that the cent. Total volume last year was \$28.4bn.

However, the houses in question are weary of the negative inferences drawn from such observations, "How many more redundancies would there have been in London without the equity warrant sector?" asks one official at Yamaichi.

The same official also points out that while many of this year's Eurobond issues are currently trading on or just outside fees, equity warrant deals have generally gone to a sharp premium to the issue price. The Sumitomo Chemical Company \$400m issue on Thursday. for example, was trading on Friday at 107% per cent. Underpinning the houses' confidence is the strength of the Japanese stock market,

nitomo Finance int.

Daiwa Europe Deutsche Bk Cap.Mkts

Nomura Int.

Dalwa Europe Benk of Tokyo

Nippon Credit Int. CSFB

Benkers Trust Int.

Morgan Stanley Salomon Brothers

Bankara Trust Int.

Daiwa Europe

Nomura Int. Nikko Secs. (Europe)

UBS (Secs) Wood Gundy UBS (Secs)

UBs to CSFB
Wood Gundy
Dresdner Bank Int.
Goldman Sechs

Merrill Lynch

Merrill Lynch Rabobank Ne

Drescher Bank

Deutsche Bank

West B

Bayerische Vereinsbik Deutsche Bank

ground, and the fact that the warrant market is now much more orderly than a year ago. The Japanese houses meet regularly to monitor coupon and price levels for warrant deals, while the Ministry of Finance queueing system means issues

are well sign-posted. London's

secondary market dealers also meet monthly. The fact that many of January's issues will be from well-known companies seeking large sums is also welcomed "A series of large issues from big names should be much better for sentiment and liquidity than last year's tendency for lots of small deals," says a Lon-

don warrant trader. Borrowers in January will include Mitsut, Komatsu, NEC, Mitsubishi Oil, Canon, Kobe Steel and Nippon Steel, several

100 125

150

150bn

thiot yet priced. #rkPrivate placement. With equity warrants. \$Conventible. #Routing rate notes. \$Finel terms. a) Put option 1985 at 100. b) 16bp over 3m Libor. c) Pungible with CS100m issue issueched in Dec. 1985. d) Redemption ticked to AByen spot rate at maturity. e) Launched in three transfers of LF300m each transfer. Note: Yeldes are calculated on ABISD basis.

1995

NEW INTERNATIONAL BOND ISSUES

9.407 4.375 9.546 9.423 9.798

9.768

10.811 10.577

10.674

10.628

10.656 10.246 10.038

10.680 10.690

14,185

13.954

6.765

14.215

2.825 6.625 5.325 6.164 5.750

SWISS FRANCS

Sumitomo Bank\$\(\phi\)
Sumitomo Bank\(\phi\)
Hiroshima Bank\(\phi\)
\$\phi\)

Austria

Cie Bancaire\*

First Credit Corp.\*

Tsuzuki Denki Co.\*

Kabuto Decom inc.\*

Kabuto Decom inc.\*

Yamakawa Ind.Co.\*\*

Abbey National B/S(a) ♦
Britannia B/S(b)‡ ♦
Alliance & Leicester ♦

FRENCH FRANCS

DANISH KRONER

LUXEMBOURG FRANCS

Kenwood Fin.Ned.★★◆

Parbel Int. Finance\*\*
Belgelectric Fin.(e)\*\*
Enso-Gutzelt\*\*

Council of Europe®

Eurofima∳ Norsk Hydro∳

PKbanken ◆

World Bank

PESETAS

STERLING

EIB♠

Maruko inc.★A\$◆ State Bk New S.Wales&A◆

bonds.

Among the more attractive reasons for issuing warrants, the ability to achieve cheap funding remains paramount Favourable swap opportunities combine with low coupons to yield financing at extraordinarily low interest rates.

According to several sources, while in 1988 it was standard for issues to be swapped into yen, it is now common for borrowers to enter into more complicated swaps. Reflecting the increasingly international busi-ness interest of many Japanese corporations, currencies now considered include the D-Mark and the Swiss franc, as well as the currently popular switch from fixed into floating dollars. Speculation that a welter of

new paper will depress prices, possibly forcing lead managers

Av. life Coupon years %

attract buyers, is given short shrift by syndicate heads. "We don't foresee raising

coupons, If there is a sudden reversal in Tokyo or if there is trouble in the US Treasury market, then the warrant mar-ket might meet some resisthe official at Yamaichi

Far more likely is that issues will meet heavy demand, allowing a round of coupon cutting. An official at Nomura said that any move towards this was likely to be restrained by prudence.

However, there are unofficial guidelines which indicate that an issue reaches a certain premium in the grey market then the lead manag the coupon by up to % point.

Bance del Gottardo UBS

Bge Paribas (Suisse) LTCB of Japan Credit Suisse Takun Finanz

J.P. Morgan Secs. Hambros Bank Bankers Trust Int.

101% Den Danske Bank

C.d'Epargne de l'Etat Bge Paribas (Luc) Cr.Europeen,BGL,BIL

Kansallis Int. Bank Kansallis Int. Bank

101% Banco di Roma

101 4 Dahwa Europe

Morgan Stanley UBS

100

100½ 100 100

1015 100 1015

67.60 100 100

101 4 ABN

**Andrew Freeman** 

0.500

4714

4.875

11.100

EUROCREDITS

# Tokyo bankers rush to join KKR funding

financing leveraged buy-outs have apparently failed to discourage banks there from funding part of Kohlberg Kravis Roberts' \$25bn acquisition of RJR Nabisco.

While a total of \$13.6bn is being sought for the first phase of the financing, at least eight Japanese banks are said to have committed \$4.4bn alone. Dai-Ichi Kangyo Bank, Long Term Credit Bank of Japan, Fuji Bank and Sanwa Bank are said to have committed \$600m each, while industrial Bank of Japan, Sumitomo Bank, Mitsubishi Finance and Nippon Credit Bank are said to have committed \$500m each. The deadline for bank commit-ments has been set for tomorrow and, according to Bankers Trust, one of the four bank arrangers, syndication is prog-

ressing well.

A quick examination of the fee and margins on the loan package offers some insights into why banks are willing to plunge into such a highly leveraged arrangement. If the new owners of RJR Nabisco repay on time, the combination of margins and fees on the loans offer banks returns virtually unheard of in syndicated

Even before the borrowers begin paying interest, front end fees will be around \$332m, assuming each bank receives the average fee. However, because many banks are likely to seek higher participations, fees could be much more than that. And at current rates, annual interest on the \$13.6bn will be around \$1.7bn, bringing the first year's bill for fees and interest to around \$2bn.

The loan consists of a \$13.6bn six-month tender facility, which converts into a \$13.75bn merger facility with four separate components. The facility carries front end fees ranging from 3.25 per cent for a \$1bn participation down to 1.5 per cent for a \$100m participa-tion. Margins are two points over the US prime rate or three points over London interbank offered rates (Libor).

The merger facility's largest portion is a \$6bn bridge loan with a 12- to 18-month maturity. Its margin is 2% points over Libor, while the \$1.5bn

REMONSTRATIONS from refinancing bridge loan's man-Japan's regulatory authorities about the dangers involved in with principal repayments made in increasing amounts after the third year and final repayment at the end of six years. Margins on this segment years mangants over Liber.
There is also a film three-year
working capital loan paying

2% points over Liber. Meanwhile, Norwegian gov. ernment moves to sees the way for foreign currency borrow. ings by corporations have enabled Norway's largest investment company, A/S investa, to raise its first Euro-credit. Manufacturers Hanover and Christiania Bank have been mandated to arrange a \$100m five-year revolving credit facility with a margin of

% over Libor.
The woes of Norway's bank. ing system have been forcing its larger, better known corpo-rations to search for funds outside the country in increasing numbers since last year. How-ever, a loan to one of Norway's most frequent Euromarket hos-rowers, Storebrand Finans, has somewhat mysteriously been pulled in late December by its arranger, Merrill Lynch. The loan, a \$100m five-year revolving credit facility was launched, somewhat unusually, while a \$60m three-year facility with marginally less attractive terms was still in syndication by its arranger,

First Chicago. Merrill, pressed for an expla-nation, would say only that it had "postponed" its offering in November.

Norma Cohen

EUROMARKET TURNOVER (\$m)

Straights 1,626.2 26.7 3,218.0 949.8 Fig. 262.7 0.0 104.4 54.5 700 3051 354 270 11402 1704 201 1723 1704 4115 1640 4774 West to January 12, 1989

This announcement appears as a matter of record only.

JANUARY 1989

£165,000,000

# STANHOPE PROPERTIES PLC

**Revolving Credit Facility** 

**Credit Suisse First Boston Limited** 

Lead Managers

**Barclays Bank PLC** 

**Credit Suisse** 

The Industrial Bank of Japan Limited

Lloyds Bank Pic

The Long-Term Credit Bank of Japan, Limited

The Nippon Credit Bank, Ltd.

The Sumitomo Bank, Limited

**Bank of America NT & SA** 

The Dai-Ichi Kangyo Bank, Limited

The Mitsubishi Bank, Limited

The Mitsui Bank, Limited

Société Générale London Branch

The Kyowa Bank, Ltd.

The Bank of Tokyo, Ltd.

Bank Leu Ltd

Die Erste österreichische Spar-Casse-Bank First Anstrian Bank

Agent Bank

Swingline Agent

**Barclays Bank PLC** 

Lloyds Bank Pic

All these Securities having been sold, this announcement appears as a matter of record only.

7.579 7.500

7.500



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in conjunction with

Greenwell Montagu Gilt-Edged

#### INTERNATIONAL CAPITAL MARKETS

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ELINOMARE

TURNOVER !!

# Analysts and the Walters factor

THE FORTHCOMING return of Sir Alan Walters on the eco-nomic policy-making scene has begun to exercise the minds of some in the gilts market. A return to monetary targeting and a period of prolonged dis-inflation are how two analysts see the consequences of his

reappearance.
Mr Giles Keating, of Credit
Suisse First Boston, is the proponent of the disinfiation view and Mr Stephen Lewis of the monetary targeting view. Sir Alan is expected to return to his duties at No 10 around June this year.

The essence of Mr Keating's view is that the Government is serious about reducing the inflation rate, and not just to the usual 4 per cent or so that the Chancellor has been prepared to tolerate as long as he got 3 per cent real growth a

The instrument to achieve this is the exchange rate and the principal sufferers are Britthat non-oil profits have added 2.5 per cent annually to the inflation rate since 1986; unlike 1980 when profits were squeezed, profits in 1988 were at their highest for

Mrs Thatcher's comments during Prime Minister's questions on Thursday are also instructive in relation to the

The main priority of policy, she said, was to get inflation down: "One cannot have two priorities and [inflation] is - and will remain - [the

OVERCE 7% 01...... TALLA 11 02......

cator of transactional demand for money in the UK. UK gilts yields

The Bank of England's reverse gilts auction for £500m of short-dated stocks went excepstionally well last Friday, exceeding the expectations of the professionals and, one suspects, the Bank and Treasury as well. It was the first and last for this financial year but it is as near to certain as anything can be that there will be more Jan 13, 1989 to come in the 1989-90 financial

Chancellor's] main prior-

higher for much longer than most expect and not start edg-ing down much in the face of

evidence of a slowdown in the

return of Sir Alan may mean a

return to monetary targeting.

The question of which "M" to

target is perennial and Mr Lewis opts for M2 (notes, coins,

current accounts and small

savings balances with banks

and building societies), the best behaved monetary aggre-

The average annual fall in

gate of the decade.

The Treasury is fond of the reverse auction system. It likes the transparency the process lends to the Bank's buying-in activities. From that point of view the auctions have a mea-Mr Keating says interest rates will therefore stay much sure of support from the market, some sections of which now recognise that they rather over-did their attempts to off-load stock to the Bank under during the latter part of last

> As well as more auctions. the authorities are likely to test investor interest further down the yield curve. The public sector debt repayment in the coming financial year is more than likely to exceed scheduled redemptions, while the effects of currency market intervention may be less help-ful to the authorities than they

forthcoming Budget of at least £13bn and natural redemptions can be no higher than £11bn so there is scope for a limited use of auctions in the months

However, there is a problem with moving further along the yield curve. As Mr John Shep-perd of Warburgs points out, reverse auctions are likely to be most successful if they are targeted at large issues of stock. However, it is the large issues that the market trades. so reverse auctioning them may only compound the illi-quidity at a time when the market is struggling to remain liquid.

The first two weeks of the new trading year have been some of the quietest since Big Bang. A look at the turnover figures for the Liffe long gilt futures contract by Glenn Davies of CL-Alexanders Laing & Cruick-shank, shows that turnover in the first two weeks of 1989. was half that of 1988 and

Over the past two weeks the long gilt contract averaged a daily turnover of around 12,375 contracts a day. The figures for the equivalent periods of 1987 and 1988 were 24,520 and 24,100 contracts a day respectively. The trend is the trader's friend, and the trader must be feeling a little lonely at

# Strong dollar precipitates rally

A STRONG dollar, some suspiciously weak economic figures and brisk retail demand at the Treasury's auction trig-gered a modest rally in US bond prices late last week. Whether it can continue this week depends on how the dol-lar reacts to US trade figures, which are likely to be poor, and to the somewhat mixed signals from foreign governments about the curr-

ency.
The Treasury's benchmark 30-year bond rose better than a point, though the real action was in short-term securities auctioned during the week. Small investors formed their longest queues for a long time as they signed up for the paper at banks and Federal Reserve offices around the

The stampede was readily attributed to the favourable yields. The seven-year bond, for example, sold for an average yield of 9.30, which was the best of any Treasury security regardless of the maturity. One measure of the appetite of these small investors was that their volume of non-competing bids - they buy at the prevailing yield determined by the competing bids from big investment dealers - was

three times the normal

December 1983 = 100

Foreigners, particularly the Japanese, were equally enthu-siastic. Their recent purchases of dollar-denominated securities has been contributing to the dollar's new year rally. Last week the greenback shrugged off the widest rang-ing intervention central banks have undertaken since last summer. At least nine of them, including the Federal Reserve, sold dollars during the

Opinions vary about where the currency goes from here. Some think it will at least hold on to recent gains because of relatively high US interest rates. However, others are highly cantious. "The dollar's latest rebound is suspect," said Mr Edward Treichel, investment strategist at Van Kampen Merritt in Chicago.

He thinks some of last week's strength came from the US-Libya confrontation. Moreover, last week's intervention at a dollar exchange rate well below last summer's high is a signal that the Group of Seven countries "desire to limit the dollar's upside poten-

The Group of Seven are almost certain to meet in Washington within a week or so of Mr George Bush taking the presidential oath on Friday. The foreign exchange

US MONEY MARKET RATES (%)

US BOND PRICES AND YIELDS (%)

Money supply: In the week ended September 7 M1 rose \$6.7bn to \$793.1bn.

NRI TOKYO BOND INDEX

12/1/89

148.69

pieti (%)

451

148,49

149.60 150.35 151.35 141.47 147.90 151.55

146.06

4.97

markets would appreciate some clarification of certain governments' positions on the dollar, most notably Ronn's. On the one hand, Mr Ger-hard Stoltenberg, the West German Finance Minister, said in Washington last week that the current level of the dollar was fine. On the other hand, various officials from the Bundesbank said other-

"The currency markets were rolled in recent days with con-flicting statements on West German currency preferences," said Mr Philip Braverman, chief economist of Irving Secu-

Investors would need a lobotomy to forget the havoc that foreign exchange rates can play on their foreign investments. A timely reminder, none the less, comes from Salo-mon Brothers with its figures for the 1988 total return in dollars from investing in various countries' bonds. The best three performances were Australia, up 28.8 per cent; Canada, up 19.4 per cent; and the US up 7 per cent. The worst were Switzerland, minus 12.7 per cent; West Germany, minus 7.1 per cent; and the Netherlands, minus 6.5 per cent.

Thus, sensitive to currencies. investors will be watching very carefully two big dark clouds boiling up on the dollar's hori-zon: White House-Congress negotiations over the federal budget deficit and, more immediately, November's trade figure due for release on Wednesday. It will show an increase in the deficit from October's \$10.8bn to between \$11bn and

"This uptick is more than just a monthly aberration," said Mr Joseph Plocek, econo-mist at McCarthy, Crisanti and Maffei. "The risk is that the monthly trade deficit could soon return to the \$12bn-14bn

A number of factors are at work: the export stimulus from the 1985-87 dollar devaluation is wearing off, export prices are rising, foreign growth and thus demand is slowing, US growth and thus demand for imports is still strong and oil import prices are rising.

The result is a tricky policy bind for the Fed. It wants high interest rates to cool the economy but, in turn, those are helping to support the dollar and thus weaken US trade per-

At least for now the dollar's strength is a powerful reason for the Fed not to tighten monetary policy further. Confirma-tion of the latest snugging came on Thursday with the start of a new banking reserves statement period. The Fed's target level for Fed Funds, the rate at which banks lend reserves to each other, is now 9 to 9% per cent, up from 8% to 8% per cent at the turn of the

The inflation hawks in the Fed - more the presidents of the Federal Reserve banks rather than the board's governors – will not appreciate the dollar's reduction in their room

for manoeuvre.

The markets liked the latest economic data because it looked weak. Fed officials are probably not as relaxed, realising that the numbers were rather dubious. Almost certainly they will be revised up next month to show that the economy is still pretty strong. The most curious figure was December's 0.2 per cent rise in retail sales. This cannot be right because department stores reported double-digit

growth in Christmas sales and car makers had their best month of the year. The first retail sales estimate is always a bit suspect because it is based on a survey of only 2,500 to 3,000 companies. A big revision will come next month after the second survey polls

some 12,000 companies. Similarly, producer prices rose only 0.4 per cent in December. However, excluding the car prices and the volatile food and energy components it rose 0.9 per cent. Moreover, prices of crude and intermediate goods also showed sharp

"Prices remain a problem of substance currently and for the future," argues Griggs and Santow, money market economist. "The market, however, seems not to appreciate the

The chance for investors and traders to respond to these and other economic figures and the dollar is somewhat curtailed this week. The markets are closed today for the holiday honouring Martin Luther King and business could be pretty slack on Friday as people tune in to the Bush inauguration.

Roderick Oram

the velocity of circulation of M2 over the 1982-87 period was have so far proved to be. 3 per cent. Mr Lewis claims it has been the most reliable indi-Simon Holberton It is likely that the Chancel-FT/AIBD INTERNATIONAL BOND SERVICE VER STRIMENTS
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oliars unless indicated. Prem – percentage premium of the current effective price of buying stares via the bond prem – exercise premium over current share price. Bond warrant ex yid – exercise yield at current warrant price

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SBCI Swiss Bank Corporation Investment banking

January, 1989

**Cerus lifts** 

cash part

By George Graham

of Dumenil

takeover bid

CERUS, THE French holding

company owned by Mr Carlo de Benedetti, the Italian finan-cier, has published the terms of

its bid for full control of

Dumenil Leble, the financial group headed by Mr Jacques Letertre.

The bid proposes five Cerus shares plus FFr40 cash for every two Dumenil shares. Mr Letertre said the additional

minute adjustment, designed

partly to take into account the

fact that Dumenil shareholders would receive no dividend for

the 1988 year.

Cerus's shares were suspended at FF7456 on Tuesday. At this price, the bid would value Dumenii at

FFr4.65bn (3745m), a discount

of 1.3 per cent to its Tuesday

suspension price of FFr1175. Mr Letertre said the merger

offered the prospect of develop-ing a stronger and more profit-

able financial holding com-

"The priority of priorities is that we should make profits and pay dividends," he said

Oce-Van Der

7% sales rise

By David Brown

in Amsterdam

Grinten expects

OCE-VAN Der Grinten, the

Dutch photocopier manufac-turer, said yesterday that earn-

ings for 1988 would be roughly in line with the Fl 75m

(\$20.4m) of 1987. In a prelimi-

nary statement, Mr Henk Bodt,

group chairman, said sales had

advanced by 7 per cent in vol-

Analysts said the improve-ment, especially marked in the last quarter when the group

had net earnings of roughly Fl 20m, was the result of

ticularly in its profitable

design engineering market, and also the strengthening dol-

OCE makes and sells copiers

for the design engineering and conventional business markets.

the 1988 year.

Citibank Canada

Amsterdam-Rotterdam Bank N.V.

The Sumitomo Bank, Limited

The Royal Bank of Canada

Banque Nationale de Paris Canadian Imperial Bank of Commerce

The Dai-Ichi Kangyo Bank, Limited

National Westminster Bank Group

Credit Suisse Canada The First National Bank of Boston

The First National Bank of Chicago (Canada) National Bank of Canada Swiss Bank Corporation Westdeutsche Landesbank Girozentrale

Morgan Guaranty Trust Company of New York

as Managers

as Facility Agent

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

# Crusader Life plans to link with UK partners

South African life assurer, has agreed with unnamed British partners to establish a life office in London.

The plans were first laid in 1987 and R12m (\$3.05m) was raised from shareholders to finance the UK venture and local operations. The move abroad was delayed, according to Mr Don Rowand, chairman, by regulations on brokers commissions in the UK's new

Financial Services Act.
Mr Roward says Crusader originated dread disease poli-cies and wants to market them in Britain. The UK venture includes development of a life assurance company, a life broking and financial planning commany with a sales force of more than 20 consultants, a specialist life assurance computer company and four estate

At the end of 1988 Crusader had total assets of about R80m and annual premium income of R52m. The company has an interest in a London insurance broker and says this is generating life assurance business.

• Mr Vince Isaacs, chairman and chief executive of General Portfolio Group, the UK life insurer, denied that his was the British company holding talks with South Africa's Southern Life, which announced last week that it was negotiating to take a stake in a UK company.

General Portfolio, a fast-growing unit-linked life insurer based in Harlow, Essex, with a 3,100-strong sales force, said last year that it planned to get a stock market listing in London within three years and industry observers had swiftly concluded that it could be the

subject of Southern's advances. Speculation in London has switched to two other UK life insurers, Barnet-based Liberty Life and London-based Devonshire Life, as possible alterna-tive partners for Southern Life. In Johannesburg, however, Mr Bill Hasiam, an executive director of Southern Life, maintained the official line of making no comment on which UK life office was involved.

# **Australian Bank offer approved**

By Bruce Jacques in Sydney

THE AUSTRALIAN Government has set a qualified, dere-gulation precedent for the banking industry by approving, in principle, the proposed A\$103m (US\$89.5m) bid by the MLC Life group for Australian

The approval, technically by Federal Treasury, overturns a long-standing tenet of Austra-lian banking law and sanctions the takeover by a non-banking entity of an Australian trading bank, albeit one of the small-

The decision may preface a push by Australia's major life insurance groups to acquire trading banks in what could develop into the biggest finan-cial rationalisation in Australia since 16 new banks, including foreigners, were allowed into the market in 1986. The country's two biggest

life groups, the AMP Society and the National Mutual, already operate banks in part-nership with foreign groups, but have made little secret of their desire to expand further in this area.

The life offices have been prodding the Australian Government to loosen its bank ownership requirements for some time, especially since the banks have recently moved into the life assurance busi-

The Treasury precedent may also eventually open the way for Australian companies to buy banks, a prospect that would delight Mr John Elliott, whose Elders IXL group has been seeking a banking licence

Mr Max Crow, MLC managing director, announced the Treasury approval yesterday and also reduced the minimum acceptance condition in the bid from 90 per cent to 80 per cent. This was to accommodate a rival hidder, the State Savings Bank of Victoria, which already holds 17 per cent of Australian Bank's capital. MLC was a founding shareholder in Australian Bank and controls

25 per cent of its capital.

The MLC bid is pitched at A\$1.85 a share, against the State Bank's A\$1.65. If successful, the MLC plans to distrib-ute all but 10 per cent of Aus-tralian Bank shares to its policy holders in the form of a

Mr Crow said this meant Australian Bank would ultimately have more than 250,000 shareholders, one of the broadest shareholder bases of any bank, or company, in Austra

### Morgan Grenfell equity team recruited

By David Lascelles

THE 11-strong European equity market-making team that was among those made redundant by Morgan Grenfell last month s to join CL-Alexanders Laing & Cruickshank, the investment bank owned by Crédit Lyon-

nais of France. The team is headed by Mr

This announcement appears as a matter of record only.

Canadian Pacific Enterprises Limited .

Canadian Pacific Securities Limited

U.S.\$1,000,000,000

**Eight Year** 

Loan and Note Issuance Facility

Morgan Guaranty Trust Company of New York

as Arrangers

Union Bank of Switzerland (Canada) as Lead Managers

Eric Brigden, Mr Chris Hip-kins, Mr Andrew Sharp and Mr Chris Perree. Between them they cover five markets - the Netherlands, Scandinavia,

France, Germany and Switzer-land. Crédit Lyonnais is claiming the arrival of the team will

**Bank of Montreal** 

COMMERZBANK Aktiengesellschaft

Banque Internationale à Luxembourg S.A.

en de la companya de la companya de la companya de la companya de la companya de la companya de la companya de La companya de la companya del companya de la companya de la companya del companya de la companya del la companya del la companya de la

The Mitsubishi Bank, Limited

Security Pacific Merchant Bank

The Toronto-Dominion Bank

**Barclays Bank PLC** 

Daiwa Bank Canada

Chase Investment Bank

Chase Manhattan Bank N.A.

active market-makers in Euro-

pean stocks.

Mr Ian Hay Davison, chairman of CL-Alexanders Laing & Cruickshank Holdings, said the move demonstrated Crédit Lyonnais' commitment to develop as a major force in

December 1988

#### **Spanish** charity in deal with Grucycsa

in Madrid

ONCE, the multi-million peseta Spanish charity for the hlind, which also runs one of Europe's biggest lotteries, has moved into the Spanish stock

It has taken a 2 per cent stake in each of the three biggest quoted companies con-trolled by Grupo Construc-ciones y Contratas (Gracycsa), the rapidly-growing holding company controlled by two cousins known as "los Albertos." The companies are Port-land Valdeverras, the cement group, Fomento de Obras y Construcciones, construction company, and Banco Zarago-

zano. The Albertos have also agreed to form a pension fund management group with ONCE.

ONCE's Pta210bn (\$1.83bn) turnover last year theoreti-cally makes it one of the 11 largest companies in Spain, though much of its income is paid out quickly as lottery winnings. The management of ONCE has been looking to diversify since the Spanish Government began putting a ceiling on its lotteries earn-

ings.
The charity paid some Pta4bn for its investments and it is possible that it will continue to act in the Spanish

stock market.

The fresh capital will be welcome at Grucycsa, where financial resources are being stretched. Together with the controversial Kuwaiti Investment Office (KIO), Grucycsa is the largest shareholder in Banco Central, which is merging with Banco Espanoi de Credito to become the country's biggest bank.

#### Turkish bank head

THE TURKISH Government has appointed Mr Engin Civan general manager of Emlak Benkasi, the state-owned

Mr Civan replaces Mr Bulent Semiler, who resigned in late December following a row with Mr Kaya Erdem, former deputy premier, over an bezzlement scandal.

# US utility offered \$2bn for non-nuclear assets

By Roderick Oram in New York

PUBLIC SERVICE of New Hampshire, the first US power utility to operate under bankruptcy law since the Depression, has received a takeover offer for its non-nuclear assets that may be worth up to \$2bn. Northeast Utilities, the bidder, said its plan would result in increases in electricity costs of about 5 per cent for the next eight years for PSNH's customers and would allow New Hampshire state officials to

keep regulatory control.
PSNH, forced to seek bankruptcy court protection a year ago because of the financial burden of its investment in the Seabrook nuclear power plant,

had earlier proposed to reor-ganise itself under a federallycontrolled holding company. The idea was to remove itself from the control of New Hampshire, which has opposed start-up of Seabrook. It also wants to increase its rates by 30 per cent in one go.

Northeast, the largest utility in New England, offered instead to pay \$1.2hn for PSNH's non-nuclear assets and spin off its 35.6 per cent stake in Seabrook into a separate company to be owned by PSNH's existing shareholders

Secured creditors would receive 100 cents on the dollar

while unsecured creditors would get a package worth between 35 and 75 cents on the dollar consisting of cash, pre-ferred stock in a Northeast subsidiary and common stock in the new Scabrook company. Current PSNH shareholders would have to negotiate for some of the stock unsecured creditors would receive.

Northeast would also give the new Sesbrook company some \$165m towards upkeep of the plant and would agree to buy power from it. Hopes of the plant starting up have riseo sharply in recent weeks following a series of actions by Federal nuclear regulators.

# London eases Euro-listing rules

THE INTERNATIONAL Stock Exchange in London has eased its Eurobond listing require-ments and reduced its charges in an apparent attempt to take ss from the Luxembourg Stock Exchange.

Luxembourg's easier and cheaper listing requirements have long prompted issuers of many Eurosecurities to list bonds there. Now London's fees are said by officials to be comparable with that

exchange.

Maximum listing charges have been reduced to £4,000 from £10,000 in the case of

already-listed applicants and from £13,500 for new appli-cants. The 6p per £1,000 charge will be uniform for all issuers. New applicants used to pay 8p per £1,000.

The requirement to offer an unspecified participation to two market-makers on the exchange has also been lifted. This requirement was an annoyance to Eurobond underwriters, who accused the market-makers - or their stock-broker predecessors - of accepting participations only when issues were clearly trad-ing profitably and making no

to produce listing particulars in the printed form they choose and they will no longer be required to circulate details of the issue in the Exici Financial statistical service.

effort to place them.
Issuers will also be allowed

 Firm prices on four Finnish stocks — Pohjols B, Nokia Preference, KOP and Union Bank of Finland - will be quoted from today on SEAQ International, which also launches today a section on Italian stocks. Six traders will make markets in all four

### Hyundai in Canada move

By Robert Gibbens in Montreal

**HYUNDAI** of Korea has started commercial production of its Sonata mid-size sedan at its new C\$325m (US\$271m) assembly plant at Bromont, near Montreal, despite widespread industry scepticism. It says some of this year's production of 25,000-30,000 cars could go to

Europe. Bromont is Hyundai's first foreign assembly plant and is among the most automated in the world.

The new contemporary front-wheel-drive Sonata, with a 2.4-litre engine and fuel injection, is designed to provide a desperately-needed turnround for Hyundai in the Canadian market. Sales of the imported Excel model dropped 40 per cent last year because of buyer resistance, though the same model has been doing well in the US. Two previous models on which Hyundai based its entry into Canada in 1984 were withdrawn in 1987.

Hyundai is building the Sonata at Bromont with parts mainly imported from Korea. Thus, production does not qualify for duty remissions under the Canada-US trade pact. Gradually, Hyundai will seek North American suppliers in order to qualify.

#### KKR 'may sell' Del Monte unit

RJR NABISCO'S Del Monte Foods unit will probably be sold to help pay for the \$25ta leveraged buy-out of EJR Nabisco by Kohlberg Kravis Roberts, according to Mr Robert Carbonell, Del Monte chair-

man, Reuter reports. The Miami Herald quoted Mr Carbonell as saying he believed it was likely Del Monte would be divested after KKR completed the biggest takeover in US corporate history next month.

However, Carbonell empla-shed that this was his personal opinion and not that of RIR Nabisco, the US food and cig-

#### **ELDERS INVESTMENTS LIMITED ("EIL")**

Announcement

Extraordinary Resolution of holders of bearer warrants to subscribe shares of EIL ("Warrants")

At the Meeting of Warrantholders of EIL convened and duly held on 13th January, 1989, the Extraordinary Resolution sanctioning the cancellation of the subscription rights conferred by the Warrants in return for a payment in cash of US\$0.20 or Hong Kong Dollar or Australian Dollar equivalent for every US\$3.70 of subscription rights held (as described in the document dated 22nd December, 1988 (the "Offer Document") despatched to shareholders of EIL) was duly passed.

As the Share Offer (as defined in the Offer Document) was declared unconditional on 13th January, 1989, the Extraordinary Resolution has become effective and, in accordance with its terms, Warrantholders are entitled to receive the cash payments as described in the Offer

> ELDERS INVESTMENTS LIMITED By Order of the Board

16th January, 1989

Recommended cash offer by Jardine Fleming Securities Limited on behalf of Atraia Pty Limited, ("Atraia") a wholly owned subsidiary of Elders IXL Limited ("Elders IXL") to acquire Shares of Elders Investments Limited ("EIL") and Proposal to holders of Warrants of Ell.

The directors of Atrala announce that by 4:00 p.m. on 13th January, 1989 valid acceptances of the offer for shares in EIL, contained in an offer document dated 22nd December, 1988, had been received in respect of 33,244,175 shares. After taking into account the shares previously owned, Elders IXL and its subsidiaries now own 158,173,993 shares representing 95.86 per cent. of the issued share capital of EiL. The directors of Atrala have declared the offer unconditional and the offer will remain open for acceptances until 4:00 p.m. on 27th January, 1989, or until such later date as may subsequently be announced.

ATRALA PTY LIMITED By Order of the Board

ELDERS IXL LIMITED By Order of the Board

Hong Kong, 16th January, 1989

The directors of Eiders DCL and Atrain have taken all reasonable care to ensure that the facts stated in this announcement are true and sccurate in all material respects and that no information has been omitted which would render any statement harein misleading. All the directors of Eiders DO, and Atrala jointly and severally accept responsibility accordingly.

#### UK COMPANY NEWS

# 1992 will come as a major bonus

Vanessa Houlder on the growth of UK fresh produce distributors

HE NOTION of a UK company delivering flowers in The Netherlands might seem as inappropriate as one distributing pasta in Italy or brandy in France.

Yet when Unigate bought Spronsen, a Dutch flowers, fruit and vegetable distributor earlier this month, it was following a well trodden path. In the past 18 months, Albert Fisher Group, Polly Peck International and Hillsdown Holdings have spent more than ings have spent more than £100m between them on 11 fresh produce distributors in Continental Europe. In the run-up to 1992, this is

perhaps not surprising. If there was a list of clear beneficiaries of the erosion of trade barriers, the distribution trade might be

near the top.

"The freeing of trade barriers will bring exciting prospects in the European distribution market," predicts Mr John Worby, finance director of Unigate. As retailers increasingly source from other markets, there will be heightened demand for distributors which can traverse national bound-

aries, he says.

Mr Worby believes that UK companies have a distinct advantage in the European market place. UK distribution expertise is more advanced than the rest of the Continent,

As a result of more exacting demands by UK retailers and a greater emphasis on tempera-ture controlled distribution, UK operators are geared up to delivering unblemished goods in short spaces of time, he

Another key advantage of moving into mainland Europe is that the market, worth an estimated £20bn, is highly fragmented.



Tony Millar (left), chairman of Albert Fisher, and Tony Reading, managing director of Polly Peck.

This is illustrated by the finding that after just five acquisitions Albert Fisher is already the largest fruit han-dler in The Netherlands, occu-pying a third of the Rotterdam

A further attraction of the continental market is that it is free from domination by a small number of large retailers. In the UK, by contrast, this situation is perceived to restrict the opportunities for profitable growth for distribu-

"There is enormous pressure by the multiples on margins in fresh produce in the UK," says Mr Tony Millar, chairman of Albert Fisher. Accordingly, in some cases

the UK expansion on the Conti-nent might have taken place without the added impetus of the freeing of trade barriers. 1992 is a major bonus for our European expansion, not the primary reason," says Mr Mil-

Likewise for Polly Peck,

(That said, some variations do exist. In The Netherlands, for example, a third of house-holds squeeze their own orange juice, thereby demanding a dif-ferent quality of fruit.) But even if the markets for fresh produce across Europe are substantially the same, there are considerable differences in the the nature of the distribution trade between the

countries.
Accordingly, it is no coincidence that UK companies have shown a clear preference for buying companies based in The

letherlands.
Albert Fisher has made five acquisitions in The Nether-lands (Reingold, Citronas, Aartsen, Pakomi and Limax); Polly Peck has made one (Van Den Brink); and Hillsdown

Den Brink); and Hillsdown
Holdings has made two
(Habets and B&F).

The chief explanation is that
The Netherlands, which has
close trading links with other
countries in West and East
Europe, is at the hub of fruit
and vegetable distribution over
the Continent.
In 1986, one-third of all pro-

In 1986, one-third of all produce imported into The Netherlands, primarily through the port of Rotterdam, was re-ex-

the distributor are often minimised as a result of the Dutch trading system, whereby he agrees a commission regardless

agrees a commission regardless of the selling prices.

In addition, The Netherlands has other key advantages.

"The Dutch speak good English and have traditionally been good trading partners," says Mr Solomon. "Holland's hydroges etyle is close to the business style is close to that of the UK," agrees Mr Millar. "If you are going into Europe, Holland is the place to start." should not benefit from the increasingly multi-national operations of the manufactur-

#### THIS ANNOUNCEMENT APPEARS AS A MATTER OF RECORD ONLY

MANAGEMENT BUY-OUT

OF BUNZL PULP & PAPER (SALES) LIMITED

FOR £22,000,000

Meteor Holdings Limited has been newly formed to acquire Bunzl Pulp & Paper (Sales) Limited and eleven other paper trading companies operating in the UK, Europe and the Far East.

#### ARRANGED BY

3i plc

Equity finance was underwritten by 3i plc and was provided by:-3i plc Hill Samuel Bank Limited CIN Venture Managers Limited

Term loan and working capital facilities were provided by:-National Westminster Bank plc



3i plc, 91 WATERLOO ROAD, LONDON SE1 8XP. TEL: 01-928 7822

# L & G new business expands by 64%

business 64 per cent to £98m force totals 2,500.

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PRODUCE TO A STREET OF BUILDING 

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sign to be the set

THE slackening house purchase market failed to slow down growth in life assurance at Legal & General, the insurance group, which boosted total UK mortgage-related new

**COMPANY NOTICE** 

It has signed up 18 building societies, with 400 branches,

last year. The group received 42 per cent of its business last year from independent intermedi-

350 estate agents, and 1,100 small insurance intermediary firms, to sell L&G life products exclusively. Its direct sales

FT Share Service

Market).

UK new annual premiums advanced 81 per cent to £180m,

gle premiums dropped 49.4 per cent to £59m, showing how the 1987 equity market crash has hit sales of lump-sum equity

Individual life assurance sin-

expansion on the Continent

was on the cards, regardless of the erosion of the trade barri-

over our marketing in the EEC, as part of our general strategy of vertical integra-tion," says Mr Tony Reading, managing director.

There are other reasons why the influence of 1992 should

not be overplayed. Already,

distributors travel long dis

tances and cross national

boundaries. Hillsdown Hold-ing's Habets, for example, already operates throughout West Germany and France. "For fruit distribution 1992 will not be as dramatic as with

will not be as dramatic as with

some industries, as it is

already a long way down the road," claims Mr Harry Solo-mon, chairman of Hillsdown.

In part, this stems from the universal taste for fruit and

vegetables, which means that,

unlike processed food, it

32 per cent at £76m.

including the mortgage-related business increase. New annual premiums for individual pen-Individual single-premium sions business jumped from £30m to £70m\_

> At Prudential Corporation, the UK's largest life assurance group, worldwide new annual premiums were up 33 per cent at £502.4m. New single premi-ums rose 32 per cent to

#### SHARE STAKES

The following securities were stakes announced recently Service in Saturday's edition: include:

Apollo Metals (Section: Baggeridge Brick: Mr Alex-Industrials).

Apollo Watch Products
(Industrials).

Associated Farmers (Third ander Ward, a director, has increased his beneficial interest to 2,441,088, which include 1.56m joint interests with other beneficiaries, with the addition Bletchley Motor Group of his director's qualification holding of 400 shares, bought

(Motors-Garages). Bostrom (Motors-Compoon December 21. Baillie Gifford Ship Nippon: Capital Leasing (Banks, HP). LLoyds Bank (Nominees) raised its stake by 250,000 shares to Im (6.24 per cent). The name of the registered holder has not been disclosed. Channel Express (Industri-Erskine House 7.25% Conv. Cum. Red. Pref. shares (Indus-Baillie Gifford Technology: Clydesdale Investment Trust

Changes in company share has raised its holding to 2.75m (24.9 per cent) with the pur-chase of 150,000 ordinary. The names of the registered holders

have not been disclosed.

Beacon Group: Triton General Trust increased its holding to 1.22m shares (5.63 per cent) by acquiring 559,233 at 43p each. London Life raised its holding to 1.17m shares (5.4 per cent) by buying 960,324 shares

Health Care Services: Lodge Care now holds 750,000 shares (5.45 per cent). Rights and Issues Invest-ment Trust: Orion Insurance

bought 230,000 income shares

**FOKUS** Bank A/S

U.S. \$30,000,000

Floating Rate Subordinated Notes due 1997. Holders of Floating Rate Subordinated Notes of the above issue are hereby notified that for the Interest Period from 17th January, 1989 to 17th April, 1989 the following information is relevant:

1. Applicable

9%% per annum

interest rate: 2. Coupon Amount payable on Interest Payment Date: US \$239.06 per US \$10,000 Nominal

3. Interest Payment Date:

17th April, 1989

Agent Bank Bank of America International Limited



#### Republic of Iceland U.S. \$125,000,000

Floating Rates Notes due 2000

Holders of Floating Rates Notes of the above issue are hereby notified that for the interest period from 17th January, 1989 to 17th July, 1989 the following information will apply:

1. Rate of Interest: 9"/6% per annum

2. Interest Amount payable on Interest Payment Date: Per US \$10,000 Nominal or US \$12,176.65

3. Interest Payment

17th July, 1989

Per US \$250,000 Nominal

Bank of America International Limited

# **ENCCaughan**

From Monday 16th January 1989, the name ANZ McCaughan will apply to all the securities, corporate finance and capital markets operations of the ANZ Group in the United Kingdom.

ANZ Merchant Bank Limited and McCaughan Dyson Capel Cure (UK) Limited will now trade respectively as ANZ McCaughan Merchant Bank Limited and ANZ McCaughan Securities (UK) Limited.

For further information

please contact:

**BEV WALTERS** 

Managing Director ANZ McCaughan Merchant Bank Limited Telephone: 01-489 0021

Telex : 9419031 ANZ MB G Facsimile : 01-248 1103

**RUSSELL MIDDLETON** 

Managing Director ANZ McCaughan Securities (UK) Limited Telephone: 01-236 5101 885556 DYM AC G Facsimile: 01-236 4558

ANZ McCaughan 65 Holborn Viaduct, London ECIA 2EU

#### **UK COMPANY NEWS**

# Nabisco sell-off attracts interest from UK rivals

By Ray Bashford

THREE BRITISH food companies are expected to participate in an international auction for the purchase of RJR Nabisco's UK and continental European biscuit and snack foods businesses.

Associated British Foods, United Biscuits and Northern Froods have expressed interest in the purchase of Nabisco's European arm following the record \$25bn takeover of the company by Kohlberg Kravis Roberts, the US leverage buyout group.

Estimates by two of the pos-

sible UK bidders on the value of the European operations through an expected break-up range from between £800m to

The more conservative of the estimates places a value of £500m on the UK business and £300m on the continental Euro-

pean side.
The auction is also generating interest among European food companies with BSN of France and Bahlsen of West Germany seen as the most likely bidders.

Sir Hector Laing, the chairman of United Biscuits, confirmed yesterday that he was interested in acquiring the con-

tinental European operations.

"Along with everyone else
we would of course be interested in buying the business if the price was right," he said.



Sir Hector Laing:interested if the price is right

would encounter difficulties with the Monopolies and Mergers Commission if an attempt was made to acquire the UK business, and so is narrowing its interest to the continental European operations.

However, the purchase of the UK snacks business could still Mr Martin Clark, finance director of Northern Foods. also expressed interest. "One has to look at things like this when they come along so we won't dismiss it out of hand,"

Associated British Foods is UB, with 50 per cent of the understood to have most inter-UK branded biscuit market, est in acquiring the UK busi-

ness and combine it with the existing Ryvita crispbreads

and Burtons brands.
A deal for the businesses is unlikely to go through until KKR moves closer to negotiating final financing for the

Nabisco's major UK biscuit brand is Huntley & Palmer and the company is also understood to control about 40 per cent of the country's snack foods business which has been the more successful side of operations. The continental European

businesses have fallen short of expectations and the company has failed to establish firm footholds in the markets. However, with a presence in the French, Dutch, Spanish, Italian and Danish markets the purchase would provide the

potential for expansion There would appear to be little scope for an immediate injection of British brands into the market because of the peculiarities of the European taste and different marketing

and packaging styles.

France has been Nabisco's most noteable area of success where it has been able to penetrate the snack foods business and would be the principal area of interest for bidders.

Northern Foods already sells its Fox's brand of biscuits into the European market through

# Clare Pearson looks at the closing stages of the £83m bid for Armstrong Equipment R BRIAN TAYLOR, chief executive of Wardle Storeys,

sounds convincing when say ing that he does not care if his 283m hostile bid for industrial fasteners and motor components company Armstrong Equipment succeeds by the final close on Wednesday.

That, perhaps, is the prob-lem with the offer - many observers believe Wardle, a plastic products and security equipment group which has achieved startling growth under Mr Taylor's control, would certainly have won had it been prepared to improve its share and cash terms. But Mr Taylor, who personally speaks for around 15 per cent of the shares in his own company, has been determined not to pay over the odds.

Last Friday brought the

news that Caparo Group, part of Mr Swraj Paul's Caparo Industries and the biggest shareholder in Armstrong with 10.9 per cent, had decided not to accept - casting a further shadow over the bid which at the second closing date had attracted a mere 1.3 per cent of acceptances aside from Wardle's own holding.

Mr Taylor, however, refused

to be downcast. "Quietly confident is what people say isn't it?" he said. "Our soundings suggest we have at least a good a chance as the other side." This was despite the fact that the Armstrong share price seemed to be signalling failure. It eased to 138p at Friday's close, a sizeable discount to the 155p offer, as hopes that Wardle would move into the market to pick up shares for cash faded.

But the Wardle side is able to point to a number of causes for optimism. First, 80 per cent of Armstrong's shares are in the hands either of Caparo or of institutions who might be expected to accept their large blocks of shares only at the last minute.

Second, any shareholder who has been holding out for a white knight must be giving up hope. Despite the host of com panies around the world to which Armstrong, with its strong position in the UK shock absorber market, was initially expected to look attractive, not one has come

According to Mr Taylor, this is not surprising considering the hid has revealed a more dauntingly parlous state of affairs at Armstrong than even he had guessed. Wardle itself ruled out improving its terms after Armstrong came up with a forecast of pre-tax profits 49 per cent higher at £8.5m, and earnings per share of 11.7p, for

From a management point-of-view, discussion throughout the bid has focussed on whether Armstrong, which has for some years been the object of restructuring, has at last moved into a genuine recovery



Wardle pins its hopes on the institutions

Waits, chairman of Armstrong Equipment

and which have now been tacktoo early for shareholders to write off the present manage-ment team, which has not yet had time to prove its colours. True, Mr Roy Watts, the chairman who combines this role with heading up Thames Water, had put most of the top personnel in place by the sum-mer of 1987 - yet profits actu-ally fell in the last financial

But, says Armstrong, these people cannot be held responsible because profits were held back by inherited management control and accounting prob-lems at the company's key shock absorber plant in York, which they would not have been able to sort out in time,



Mr Taylor, however, dismisses Mr Watts's expressions of optimism as "yet another case of jam tomorrow." In contrast, under the slogan "Wardle Storeys: Good Industrial Managers" his company has pointed to its own dramatic growth over the last four years, when pre-tax profits have risen from £3.1m to

But perhaps on neither side is the management argument particularly strong. Wardle has some justification in saying Armstrong's historical record gives little cause for hope for the future. Armstrong, on the other hand, has a point when it

Markheath stake

Markheath Securities, the UK investment vehicle of Mr John says there is little know-how a company in the chemicals secwidely different busine In any case, by the time of writing their final documents to shareholders, dispatched on

Friday, both sides were claim-ing victory as far as the man-agement arguments were con-cerned. All that had to be sorted out, they said, was confusion over the price.

Aside from pointing out Wardle's offer contained no full cash or loan note alternative. Armstrong said it over-looked the strength of recovery

on Wardle's own reckening, its £8.5m forecast meant profits would increase by about 156

per cent during the second half. Wardle, meanwhile was Wardle, meanwhile was pointing out that its offer represented a historic p/s of 12 and a prospective price/ earnings multiple of 13.2. This, it said, was a "massive" premium to the rating of other UK motor components companies, with CKN for instance standing GKN, for instance, standing on

GKN, for instance, standing on a prospective multiple of around 7. If Armstrong were to fall into line with these companies, it was implied, its share price would have to drop to around 85p.

At least one institutional shareholder had found Wardle's arguments persuated by Friday, and believed the bidder still had about a 50 per cent chance. But others were cent chance. But others were

not so optimistic of its chances.

# Thomson urged to give forecast

By Ray Beshford

LADBROKE GROUP, the international leisure undertaking, has again called on Thomson T-Line to give additional information about its trading performance as the takeover fight for the industrial holding company appears poised to

After receiving acceptances for 0.1 per cent of the capital though its 80p a share bid, Ladbroke has urged the Thompson T-line board to release details of its trading position and to say whether it is still in "regular contact" with a possible alternative bidder.

are expected to commence on 30th January, 1989.

W. L. Carr (Far East) Limited

Banque Indosuez,

52-62 Bishopsgate,

London EC2N 4HR

respect of the subject Notes are as follows:-

By: Chibank, N.A. (CSSI Dept.) Jamusry 16, 1969

£200,000,000

MFC Finance No.1 PLC

Mortgage Backed Floating Rate Notes Due October 2023

In accordance with the Terms and Conditions of the Notes, notice is hereby given that the new interest rates and periods in

## 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 | Series F 13.425 |

Since last month when Labroke announced its £165m offer, Wembley, the diversified leisure group, has been reported to be a possible

counter bidder. Acceptances for the Ladbroke offer close next Monday and it is expected that the situation could develop with a counter bid this week in the

run-up to the closure. consistantly above the Ladbroke offer - closing at 93p last Friday - indicating that the market expects a higher hid. Its principal asset and attrac-

This advertisement is issued in compliance with the requirements of the Council of The International

Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("The Stock Exchange") and

Application has been made to the Council of The Stock Exchange for the Participating Shares to be issued in Malacca Fund (Cayman) Limited to be admitted to the Official List. Dealings in the Participating Shares

THE MALACCA FUND

MALACCA FUND (CAYMAN) LIMITED

(An exempted company incorporated with limited liability under the laws of the Cayman Islands with Registered

Number 310136)

**PLACING BY** 

**BANQUE INDOSUEZ** 

OF UP TO

3,500,000

Participating Shares of U.S.\$0.01 each

at U.S.\$10.40 per Share

Hoare Govett International Securities Limited

Indosuez Asia Investment Services Limited

Listing particulars relating to the Company will be circulated in the Extel Scatistical Services prior to the commencement of dealings. Copies of the listing particulars may be obtained during normal business bours up to and including 18th January, 1989 from the Company Announcements Office of The Stock Exchange, 46-50 Finsbury Square, London EC2A 1DD and up to and including 30th January, 1989 from:

**Baring Securities Limited** 

W. L. Carr (Far East) Limited,

16th January, 1989

1 London Bridge,

London SE1 9TJ

**CITIBANG** 

tion is the ownership of Ver-nons football pools for which it paid £90m last year.

In an attempt to gain more information about this division in particular, Ladbroke has called on Thomson to "publish without further delay, a profit forecast by division for the current fore the beautiful forecast." rent year for the benefit of all

its shareholders. The letter to shareholders also claims that the failed attempt to take over Suter cost Thomson 23.5m, representing 57 per cent of the group's pre-tax profits for the year to April

# **BP** and **KIO** deal not greenmail

By Eric Short, Pensions Correspondent

THE INVESTMENT Committee of the National Association of Pension Funds is satisfied that the share transaction between British Petroleum and the Kuwait Investment Office does not fall under the general description of greenmail.

The term greenmail is applied to situations such as a corporate raider acquiring shares in a particular company and then offering them for sale to that company at a price above the current market price. It is a practice used in

Under the share transaction referred to, BP is buying the share holding which Kuwait Investment Office has in the company.

However, Mr Donald Brydon, head of the fund management operations of BZW, the investment hanking arm of Barclays Bank, and chairman of the NAPF Investment Committee. stated that because of its unique background, the committee was satisfied as to the propriety of the transaction.

It also felt that this was not a matter on which the Investment Committee should make a general policy decision. The judgement of the transaction remained entirely a matter for individual pension fund inves-tors holding BP shares.

Mr Brydon, however, warned that the NAPF would look with concern on any development of greenmail tactics in the UK and of any response by corporate management to buy out greenmailers.

Spalvins which has built up a 21 per cent stake in Camford Engineering, said its intentions were friendly. "Markheath regards its holding as a long term investment," the statement said, "and has no present intention of making are offer intention of making an offer for the whole of the company".

### ISIS tops £1m

ISIS Group, construction, engineering and property con-cern, lifted pre-tax profit from 2375,000 to £1.05m in the half year ended September 30 1993.
Earnings almost quadrupled to 8.53p and, in the light of prospects, dividends are being resumed with an interim of

#### COMPANY NEWS IN BRIEF

ARNCLIFFE HOLDINGS has acquired Gascoigne Property Company, the principal asset of which is an investment property of about 12,000 sq ft of shop and office accommodation

ation was £450,000. **BURNS-ANDERSON Group has** conditionally agreed to acquire Investors Planning Associates (Holdings) for an initial £1.1m, with a further payment up to £550,000 dependent on IPA's volume of business for the year to June 30 1989. IPA is an indenendent investment adviser CHESTERFIELD PROPERTIES has announced that it owns 83.2 per cent of the ordinary capital of Maybox, the theatre company.

It expects to declare its £7.1m offer unconditional if Maybox shareholders approve a change in the articles at an egm today.

**BOARD MEETINGS** 

Inst undowing companies neve noticed dates of board meetings for the Stock Enchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interins or finets and the subdividends abown before are besed mainly on less teach timestables.

ICLAY
Interline-Econoor Dual Inv Tat, Fletcher King,
Herbage, Parkfield, Ross Consumer Electronics, Smith (David S), Stanco Exhibition,
Finale-Anglia Television, Berr (AG), Eurotherm Intl. Gesteiner, London Scotiah Bank,
Nortolk House, Sarge Holdings.
FINTARE BATES.

WOOLWICH

**EQUITABLE** 

**BUILDING SOCIETY** 

£200,000,000 Floating Rate Loan Notes Due 1993

In accordance with the terms and conditions of the Notes, notice is

hereby given that for the three months interest Period from (and including) 13th January, 1989 to (but excluding) 13th April, 1989 the Notes will carry a rate of interest of 13% per cont. per anoun. The relevant

wan carry a mar of marries of 1575 per cent. per annum. The relevant Interest Payment Date will be 13th April, 1989. The Coupon Amount per £10,000 will be £329.79 and per £100,000 will be £3,297-95, psyable against surrender of Coupon No. 3

Hambrus Bank Limited Agent Bank

Lloyd received acceptances in respect of 42.5m ordinary and 30,352 preference by January 12, which together with the 1.75m ordinary acquired by Triper cent respectively.

CITYVISION has acquired the business and video film hire assets of Pebbletape. The option to acquire the share capital of Potters Video granted in April 1987 and the management agreement under which Cityvision has managed Potters have accordingly been terminated. Consideration is 700,000 newCityvision 5p ordinary and two Cityvision ordinary for every £1 of the net profit of Potters for the 12 months to November 30 1988. FISHER (ALBERT), food distributor and processor, has bought Guanaria and Sons, a Leeds-based frozen desserts manufacturer, for £575,000 in

shares and cash. The company will operate as a subsidiary of

CHRISTY HUNT: Triplex Frank Idiens and Sons. INDUSTRIAL EQUITY Pacific, part of the group of companies run by New Zealand businesslifted its stake in Mount Char-lotte, the hotel and leisure group, by 1.1 per cent to 11.36 KINGSGRANGE has delayed

the announcement of its results for the six months to October 31 1988 for a few days so that it can coincide with the completion of the North American joint venture between Lyle Blair and Robert Foster as appoinced on December 21. LEES (JOHN J) has received acceptances totalling 1.6m (81.68 per cent) for its rights issue of 1.9m ordinary by 3pm on January 11, the latest time for acceptance and payment in

MEYER INTERNATIONAL'S proposed acquisition of certain assets of Norcros, namely UBM builders' merchants, will not be referred to the MMC.

1.5p. The group is traded on the Granville OTC market.

# This advertisement is larged in grappiones with the mysiconom of it of The International Stack Exchange of the United Kingdom and the it return Limited ("The Stock Exchange").

Application has been made to the Council of The Stock Exchange for the grent of permission to deal in the issued ordinary share capital of Cassidy Brothers Public Limited Company in the Unlisted Securities Merket. It is emphasized that no application has been made for these securities to be admitted to listing. Designs in the ordinary shares of Cassidy Brothers pic a expected to commence on 24 January 1989.

#### **CASSIDY BROTHERS** PUBLIC LIMITED COMPANY

**PLACING** 

MARSDEN W HARGREAVE HALE & CO of 810,000 Ordinary Shares of 10p each at 45p per share payable in full on application

Authorised

£750,000

SHARE CAPITAL Ordinary Shares of 10p each

Cassidy Brothers plc is a company which manufactures and distributes a range of toys and sports items.

afficulant relating to Casaldy Brothers pic are aveilable in the Eddel Financial Unifold curities Martet Service and copies of such particulars, may be obtained during normal sinces hours up to and including 30 January 1986 from the offices of

Corporate One Limited 5th Floor, Crimader House 14 Pall Mail Landon SW1Y SLU

Cassidy Brothers pic

issued and fully paid

01-836 8400

Notice of Meeting

Notice is hereby given that the third ANNUAL GENERAL MEETING of YAMAICHI ADVANCED TECHNOLOGY FUND will be beid at the Registered Office in Luxembourg, 10A, Boulevard Royal, on: Thursday, 26th Japuary, 1989 at 11 hours,

YAMAICHI ADVANCED

for the purpose of considering the following Agenda:

 To receive and adopt the Management Report of the Directors for the year to 31st October, 1988. To receive and adopt the Report of the Summery Audisor for the year to 31st October, 1988.

3. To receive and adopt the Annual Accounts as at 31st October, 1968.

To grant discharge to the Directors and the Statutory Auditor is respect of the execution of their mandates to 31st October, 1968.

 To receive and act on the similary population for election of Directors and the Smallery Auditor for a new sorm of one year. 6. То арргориято фе саглада.

7. To receive the resignation of Mr Akiyoshi ito and to mility the appointment of Mr Isama Ogasawara as a Director of the Company as resolved by the Geogral Council hold on 10th February, 1988.

8. To transact any other business The resolutions will be carried by a majority of those present or

The shareholders on record at the date of the meeting are entitled to vote or give practice. Proxies should arrive at the Registered Office of the Company not been them twenty-four hours before the Moning. By order of the Board of Directors

I.G INDEX LTD, 9-11 GROSVENOR GARDENS, LONDON SWIW OBD Tel: 01-828 7233/5699 Reuters Code: IGIN, IGIO

FT 30 FTSE 100 WALL STREET

Jan. 1521/1530 +3 Jan. 1865/1875 +7 Jan. 2213/2225 -3

Mar. 1537/1546 +3 Mar. 1885/1895 +7 Mar. 2221/2239 -3

Prices taken at 5pm and change is from previous close at 9pm

SPONSORED SECURITIES | 10111 | Ass. Brit. Ind. Ord | 10111 | Ass. Brit. Ind. Ord | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10115 | 10.3 10.0 3.4 8.1 3.3 -2,1 2,7 6,7 5,2 11.0 6.8 4.8 1.7 26.8 6.3 -4.5 8.4 45 84 100 -43 43 87 -42 125 94 -34 78 +1 123 -1 14.7 +4 6.1 0 103 0 120 - 15.8 29 12.7 3.3 +20 - 7.5 7.2 3.9

• 8.0 2.0 38.8

• 7.7 2.8 13.3

• 10.7 10.7

-1 2.7 2.9 10.0

-2 8.0 7.5 
-1 22.0 6.2 9.3

+3 16.2 4.6 66.5 4002

Securities designated (SE) and (USM) are dealt. In subject to the roles and regulations of Stock Exchange. Other securities listed above are dealt in subject to the roles of TSA These Securities are dealt in strictly on a matched bargain basis. Relither Granville & Co nor Granville Davies Limbed are market stakes in their securities,

Greanviller & Co., List. 8 Lovet Lane, London EC3R SEP Telephone 01-621 1212 Member of TSA

745 Arrest Starbest Cartifle Service 1986 Starto-A On James 17, 1989 holders of coupons from the Asset Backed Certificates will be catilled to a distribution, insert on the certification of General Meteors Accessment. The Assets of Company

FINANCIAL TIMES STOCK INDICES

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MORGAN CUARANTY TRUST COMPANY OF PET TORK, Trusted

Granville Davies Limited 8 Lovet Lane, Louton EC3R 88P Telephone 01-621 | 1212

Member of the Stock Exchange & TSA

**GMAC** 

#### DIARY DATES

#### Trade Fairs and Exhibitions: UK

International Lightshow Exhi-bition (0588-4658) (until January 18)

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Olympia January 17-19 International Contract Flooring Exhibition (021-705 8797)
Olympia January 20-22

Daily Mail International Holi-day Exhibition (0895-72277) Alexandra Palace Hirex Exhibition (01-660 8008)

Wembley Centre January 28-February I British International Toy and Hobby Fair (01-701 7127) Earls Court 

January 29-February 2 International Food & Drink Exhibition – IFE (01-486 1951) Olympia

February 5-7 Fashion Fabric and Sewing

#### **Overseas Exhibitions**

International Food Fair of Scandinavia (Copenhagen 518811) (until January 19)

January 20-23 Leather and Suede Fashion Exhibition - PIELESPANA (0494-729406)

January 23-26 Middle East Electronic Com-munications and Computer Graphics Shows and Conference (01-486 1951)

January 29-February 1 Irish Crafts Trade Fair (Oublin

#### **Business and management conferences**

National Retail Merchants IBC: Risk management plan-Association: annual convention and show (US 212-244 8780) City Conference Centre, Lon-(until January 18)

New York January 17-18 Institute for International Research: Corporate identity and design management (01-434

CFS Conference Centre, London

January 19
Management Forum: Food and trading law developments
February 3
Forum Communications: (0483-570099). Cafe Royal, London

January 19-20 The Boyal Institute of International Affairs/The Middle East Institute: The Iranian revolu-tion-10 years later (01-930 2233) Chatham House, London

January 23-25
IRS Training: Complete employment-law (01-354 5858) Royal Automobile Club,

London February 13

January 24

IPM: Pressure at work (01. 046)

North Cont. 1 PM: Pressure at work (01-946 North Sea oil and gas the first (00) quarter century and the next The Swallow International (01-636 1004) 9100)

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes to the details published

FINANCIAL TIMES CONFERENCES

The leading industrialist Dr Raul Gardini of Ferruzzi has

just announced his acceptance of the invitation to speak at this important conference. He will be guest of honour on

the second day. Four other senior businessmen have

agreed to speak and discuss their views with a panel of

experts and then participate in an open forum. They are Dr

Thomas Gasser, ABB Asea Brown Boveri; Professor Henk

Meij, Unifever, Bo Rydin, Svenska Cellulosa and Robert

The FT City Seminar has given comprehensive guidance

on the changing City on the eight occasions when it has

been held in the last five years. In February the Seminar is

to be held again and the 1989 agenda will include a number of presentations concerned with the outlook for

London as the Single European Market of 1992 comes

closer. Among the speakers on this theme are Robin Hutton of the British Merchant Banking and Securities

Houses Association, Keith Woodley of Deloitte Haskins & Sells and Stanley Clinton Davis, Former EEC Commissioner. The speakers at the Seminar include Philip

Warland of the Bank of England, Win Bischoff of Schroders,

John Plender of the Financial Times, Francesca Edwards

of J P Morgan and David Malcolm of the Royal Insurance

Group. All the speakers have been asked to include the

European Community dimension in their address where

this is relevant. The Seminar will, however, continue to

provide a full description and assessment of the players, markets and institutions of the City.

The 1969 London motor conference, the fifth in this series,

will be chaired by John Lawson of Nomura Research

Institute Europe. Speakers will include Noel Goutard of

Valeo, John White, BBA Group, Tim Worrall of Quicks Group and Professor Garel Rhys, SMMT Professor of

RETAILING IN THE 90s - THE PROFITABLE APPLICATION

The FT's latest conference on retailing will review the

changing market conditions and the growing importance of

new powerful technologies and innovation for retailers.
The conference will be chaired by James Guiliver of
Lowndes Queensway and Richard Weir of the Retail

Consortium. Speakers include Sophie Mirman, Sock Shop

International; John Thompson, Index Group; Desmond Pitcher, The Littlewoods Organisation; Jeremy Soper, W H

Smith and Gareth Williams, Marks and Spencer.

All enquiries should be addressed to the:

Financial Times Conference Organisation,

Telex: 27347 FT CONF G Fax: 01-925 2125

Tel: 01-925 2323 (24-hour answering service)

126 Jermyn Street, London SW1Y 4UJ

Jaunich of Jacobs Suchards Management & Consulting.

**EUROPEAN MERGERS & ACQUISITIONS** 

London, 20, 21 & 22 February 1989

THE LONDON MOTOR CONFERENCE

Motor Industry Economics.

London, 20 & 21 March 1989

OF TECHNOLOGY

London, 7 & 8 February, 1989

FT CITY SEMINAR

Fair (0422 51215)

Barbican International Spring Fair (01-855 9201) NEC, Birmingham February 7-9
Textile & Technology Exhibition (01-385 1200)
G-Mex Centre, Manchester February 9-12

February 12-16
North London Business and Industry Exhibition (0442 217466> Picketts Lock, London February 18-15 Information Technology Skills

Crufts Dog Show (01-493 7838)

**Barls** Court

Exhibition-IT (0491 410222) February 15-16
Welding and Metal Fabrication
Exhibition-WELDFAB (021 705

6707) Harrogate Exhibition Centre

January 29-February 1 International Confectionery, Chocolate and Biscuit and Trade Exhibition (01-225 5566) February 10-18 International Spring Trade Fair of Household Goods, Crystalware, Ceramics, Silverware & Gifts - MACEF (01-242 7289)

February 17-19 International Holiday and Travel Fair (Cork 273006)

Cork February 18-22 International Consumer Goods

CBI Conferences/ CILT: Languages mean business (01-379 7400)

Tolley Conferences: Practical

VAT annual conference (01-680

February 7-8 FT Conferences: The FT Euro-

pean Mergers and Acquisitions

conference - Prospects in the Single Market (01-925 2323)

Hotel Inter-Continental,

Centre Point, London

Fair (01-734 0543)

January 31

#### Frankfort

Commons: Opposition debate on "The freeze on child bene-fit" followed by Opposition debate on "The inadequacy of Government provision for pre-school education and child

Mr R. McCrone, Scottish Devel-

Executive. (Room 20, 5 p.m.)

Commons: Security Services

Bill, conclusion of committee

Motions on Scottish Housing

Lords: Children Bill, commit-

and Continental Shelf Bill, sec-

ond reading. Select committees: Education,

Science and Arts: subject, the

supply of teachers for the 1990s. Witnesses: Department

of Education officials. (Room

15, 4.15 p.m.)
Committee on Private Bills:

Associated British Ports (No. 2)

Bill and North Killingholme

consideration.

Motion on EC document on the beef regime 1988-9. Lords: Debate on Scottish affairs, followed by debate dealing with the circumstances under which parliamentary debates during the passage of legislation can be considered by the courts in their interpretation of the resulting statute. Question to Government on

action to improve money management, education in schools and elsewhere. Select committees: Agricul-Accounting for brands - eval-uating these "under-rated" assets (01-938 2222) ture: subject, salmonella in eggs. Witnesses: Institution of Environmental Health Officers, Association of District Medical Royal Garden Hotel, London Association of District Medical Officers, British Veterinary Association and Royal College of Veterinary Surgeons. (Room 10, 10.30 a.m.)

Environment: subject, toxic waste. Witness: National Association of Waste Disposal Con-

#### **FINANCIAL**

Finals; Angite Television Barr (A.G.) Eurotherm Ind.

Gestelner London Scottleh Basik Norfolk House Sturge Hidgs, Interloss Interior; Exmoor Dual Inv. Tat. Flatcher King Heritage Partifield

Ross Consulter Elects.
Smith (David S.)
Stance Exhibition Grp.
DIVIDEND AND INTERESY PAYMENTSAbordeon Stept Houses 0.75p
Anglo & Oversess Trust 42% Prf. 1.575p
California Energy 0.27cb.
Cape Inds. 2p
Chryster Corp. 25cbs.
de Morgan Group 1.35p
Elect [S.] 1.1p
European Inv. Bank 9% Ln. 2001 4.5pc.
GEI Int. 2.14p
HPC Group 1p
Hamilton OH Corp. 2.5cbs.
Heyworth 7½ % Deb. 38793 3.575pc.
Hughes (Hi] 1.1p
LEary (F. J. C.) 0.5p
McLeof Russel Hidgs. 2.25p
Millward Brown 1.5p
Cuested 3 p
Reedicat Ind. 0.57p
Scattronic Hidgs. 0.55p
Scat ioss Consumer imith (David S.)

COMPANY MEETINGSBorthelds, Subsets Hall, 67, Sartholomew Close, E.C., 12.00
Circaprint Hidgs, Post House Hotel, Wrothern, 11.30
Concentric, Penns Hall Hotel, Penns Lane, Surton Coldisid, 2.30
Kwik Sava Grp., Mollington Benestre Hotel, Parkgate Foed, Chester, 12.00
SOAPD MEETINGSPlassing

Planis; Autote Assoc. Brooke Tool Eng. Burnedone Inv. LPA inde. Lon. & Ciydedala Hidge.

Intertina; Adacene Courts (Furnish Empire Stores Hampson Inde. Harrison Inde. Hidong Estates Rentaminator

Pentaminator
DIVIDEND AND INTEREST PAYMENTSAbboy National Bidg. Soc. Fitg. Rate No.
2000 C305.62 

New Throgmorton Tat. (1983) 1.75p RBC hai. Bd. Fd. Ptp. Rd. Prf. 19cts. SAC hai. 2.5p Sarwa; Ind. Fin. Gtd. Fitp. Rate Nts. 1993 \$4402.29 Grp. Ftp. Rate Nts. 1994 \$183.6 Treasury 21.2% Jd. 2024 \$1.381 Wells Fargo Fitp. Rate Sub. Mts. July 1997 \$298 4

2284 2 Page 10 National Color National State 1 Page 12

tractors. (Room 21, 10.80 a.m.)
Foreign Affairs: subject,
Rastern Europe and the Soviet
Union. Witnesses: Dr J Eyal,
Royal United Services Institute
for Defence Studies; Mr T Gar-PARLIAMENTARY Commons: Security Service Bill. committee.

Motions on School Curricuton-Ash, The Spectator, Mr G Schopflin, London School of Economics. (Room 8, 10.30 a.m. hum Development Committee and Secondary Examinations Council Orders. Lords: Companies Bill, second

and Room 20, 4.15 p.m.)
Trade and Industry: subject,
privatisation of Harland and Select committees: Public Wolff. Witnesses: Harland and Wolff management and trade Accounts: subject, road plan-ning. Witnesses: Sir Alan Bai-ley, Department of Transport; won management and trace unions. (Room 15, 19.30 a.m.) Welsh Affairs: subject, condi-tion and repair of privately owned housing; tourism in opment Agency; Sir Richard Lloyd Jones, Welsh Office. (Room 18, 4.30 p.m.) Employment: subject, Legionnaires Disease. Wit-nesses: Health and Safety Com-mission and Health and Safety Execution (Room 20, 5 p.m.) Wales. Witness: Mr Peter Walker, Welsh Secretary. (Room 18, 10.30 a.m.)

Agriculture: subject, salmo-nella in eggs. Witnesses: Retail Consortium, Food and Drink Federation, AFRC Institute of Animal Disease Research and Institute of Food Research.

(Room 10, 4 p.m.)
Employment: subject,
Employment and Training
White Paper. Witnesses: Mr Norman Fowler, Employment Secretary, and Mr John Cope, Minister of State. (Room 20,

4.15 p.m.)
Public Accounts: subject, Petroleum Royalties (Relief) stocktaking in the Ministry of Defence: Service Hospitals. Witness: Sir Michael Quinlan, MoD. (Room 16, 4.15 p.m.)

Social Services: subject, resourcing the National Health Service; Whitley Councils. Wit-nesses: National Association of **Health Authorities: National** Association of Health Service Personnel Officers. (Room 21, Cargo Terminal Bill (Room 6, 4.15 p.m.) Trade and industry: subject,

privatisation of Short Bros. Witnesses: Short Bros manage-ment and trade unions. (Room 15<u>,</u> 4.15 p.m.) Transport: subject, roads for the future. Witnesses: The Automobile Association and Friends of the Earth. (Room 17,

4.15 p.m.) Committee on Private Bills: Associated British Ports (No. 2) Bill and North Killingholme Cargo Terminal Bill (Room 6, 10.30 a.m.)

Thursday

Commons: Motions on the Rate Support Grant Report (England) 1989-90 and supplementary reports. Lords: Children Bill, commit-

National Maritime Museums Bill, second reading. Committee on Private Bills: Associated British Ports (No. 2) Bill and North Killingholme Cargo Terminal Bill. (Room 6, 10.30 a.m.)

Friday Commons: Private members' motions

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THURBDAY JANUARY 19
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PRIDAY JANUARY 20
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SATURDAY JANUARY 21
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BARRATT, the company responsible for the refurbishment of the Wapping Dock warehouse, alongside Liverpool's Albert Dock, has been awarded a £25m contract to transform another of the city's riverside installations into hyperside by greating and colorido. The development includes construction of nearly 200 having one to three-bedroom appartments within the dishousing by creating a dockside village at Waterloo Warehouse The project, a joint partner-ship venture with Mersey Docks and Harbour Co, will

appartments within the dis-used grain storage warehouse built in 1868.

As part of the joint venture Barratt also proposes to build over 100 appartments on land opposite Waterloo Dock Ware-house, creating a waterside vil-

CONSTRUCTION CONTRACTS

Metamorphosis at the Docks

#### priced from £45,000 to £130,000 over the next five years and ensure jobs for hundreds of local building tradesmen. lage enclosed within a perime-ter screen wall on the banks of the River Mersey. All 300 appartments will front the cental water-filled dock.

Like Wapping Dock, the Waterloo Warehouse is pre-served as a Grade II listed building. Apartments there will be similar in size to Wapping, averaging over 1,100 sq ft, but the interior layout will give more emphasis to two-bed-room properties.

### City of London office development

**Building West Yorkshire reservoir** 

AMEC PROJECTS has been appointed management con-tractor for a £10.8m office development in the City of London, close to the Skinners Hall and Cannon St Station. For joint developers Reinhold and Ranelagh, the project will produce two linked eightfloor office blocks to advanced

Contracts totalling £5.8m have been awarded to NORWEST

HOLST CONSTRUCTION in

Yorkshire, the North West and

The first is for a \$2.6m reser-

voir at Staincliffe in West Yorkshire. The 32,000 cu metre

Yorkshire Water Authority

standard pattern reservoir with inlet and outlet chambers

and associated pipework is being constructed for the

create 300 luxury apartments

specification with high-grade envelopes in Portland stone, stucco and facing brickwork. The two buildings - College Hall House and Pellipar House - will contain basement, lower ground and ground floors, and five further storeys of air-confive further storeys of air-conditioned office accommodation, with between 4,900 and 5,600 sq during the Spring of 1990.

AMEC Projects is a member of the AMEC Group.

Authority's western division.
Work on site is under way and
is scheduled to take 80 weeks.
At Shell UK's Stanlow manufacturing complex in Ellesmere

Port, the company is building a loading jetty. During the £1.6m contract, a structure will be removed and replaced with a

reinforced concrete jetty rest-ing on 610mm diameter tubular

ft per floor. On the same contract, AMEC Projects will also be responsible for a two-storey extension to the kitchen of the adjacent Skinners Hall. The scheme is programmed for completion

and construction is scheduled to last 34 weeks

Glasgow, Norwest Holst is undertaking the £1.6m exten-sion of the Buchannan Arms

Hotel. The work comprises a two-storey, steel-frame bed-

room extension and a single-storey function suite and lei-sure club complex. The 39-

At Drymen, north west of

### project **MCLAUGHLIN & HARVEY** has been appointed the main con-tractor for the construction of a 313 bed hospital in Bretton

Woods, Antrim, Northern Work on the £28.6m contract has started and the project is scheduled for completion in four years time. Over this period some 200 jobs will be created and the first patients will be admitted within a year

**Bryant** 

Construction

Invest in Quality

Solihull

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hospital

of completion.

The hospital is seen as a key part of the Northern Health & Social Services Board's strategy for the development of bospital services in the area serving Ballymena, Larne and

#### Lloyds Bank premises

FAIRCLOUGH CIVIL ENGINEERING has been awarded a £3.4m sub-contract for the construction of the substructure and concrete frame superstructure for the threestorey crescent-shaped head-quarters for Lloyds Bank at Canons Marsh, Bristol, Work on the nine-month package has started with completion scheduled for July.

#### Among the larger contracts

SDC BUILDERS has won contracts totalling more than £8.5m. The largest is the third phase of St John's Innovation Centre, a Cambridge University laboratory and research facility, due for

completion in a year's time and costing £3.5m.

are two factory starter units for Ironcliffe Estates at Perivale, West London (£1.lm)

Cambridge research laboratory and Marton Developments at Uxbridge (£630,000) while the Barclays Bank-owned Camden Motors Group, is having a Citroen dealership garage, worth £1.1m, built at

# **APPOINTMENTS**

steel piles. Client for the contract is Shell Chemicals UK week scheme is for Scottish Highland Hotels.

### New post at TSB

■ TSB ENGLAND & WALES has appointed Mr Charles Love to the new post of managing director (operations). He was an executive director, responsible for TSB Property Services, Mortgage Express, and TSB Private Bank International. Mr Nick Cowan manager, personnel. He was

personnel controller. ■ Mr J.R. Marshall will succeed Mr A.I. Charlesworth as joint managing director-construction, housing and property at JOHN MOWLEM & CO on June 1. Mr Charlesworth will remain a director.

■ MARSTON, THOMPSON & EVERSHED has appointed Mr Peter Bentley to the board as a non-executive director. He is managing director of Jackson-Stops and Staff.

**■ THE WALT DISNEY** COMPANY has appointed its first female managing director. She is Ms Renee Deutsch, who takes charge of the consumer products division in the UK. Ms Deutsch has been with Walt Disney for three years, latterly as marketing director

in London. DIXONS GROUP has appointed Mr Graham Beevers as deputy managing director of its subsidiary Dixons Stores Group. He was sales director.

Mr Chris Winkley has been appointed a director of communications at PENINSULAR ELECTRONICS, and BROADGATE. He was

■ Mr Richard J. Smith has been appointed director and general manager of KYOCERA ELECTRONICS (UK). He was

■ Mr Richard Young, deputy chairman of the MIDLAND **ELECTRICITY BOARD has** been appointed managing director (designate) for when the organisation is privatised.



Mr Robin Longdon has been appointed director of sales at CHAMPION SPARKING PLUG CO with responsibility for the UK and Kire.

■ Mr John A. Vernon, former managing director of Glickenhaus London, has been appointed branch manager and managing director of SANWA-BGK, London subsidiary of Sanwa-BGK Securities, New York. Mr William T. Harrington becomes executive director and head of sales, and Mr Anthony A. Hill is appointed executive director and head of trading.

Mr Alan J. Brookes has been appointed chief executive of JARDEN MORGAN (UK), London stockbroking subsidiary of Jarden Morgan, Australia.

Mr David Watkins has been appointed financial director of C.P. ROBERTS & CO., Potters Bar. The following have been appointed managing directors of various subsidiaries: Mr Paul Beevers, Mr Colin Hall, Mr Dennis Nicholls, and Mr Colin Roper.

### Changes at **Tilcon**

m Mr John Hague, TILCON's north central area director, has become managing director of the newly-formed concrete and mortar division. Mr J.N. Place, managing director -southern division, takes control of the quarry products and contracting division - central, with Mr D.W. Hallsworth, Midlands and western area director. Mr B.J. Howarth, managing director northern division, takes control of the quarry division - northern, with Mr G.S. Greenhalgh as Scottish area director. Mr John Stewart, Scottish area director, and Mr Wyn Edge, northern area

director, have retired.

■ Mr Rodney Adler, chief executive of the FAI INSURANCE GROUP, has been appointed chairman of Sydney & London Properties and its subsidiaries following the death of his father Mr Larry J. Adler. Mr Greg Shand, a senior executive of the FAI Insurance Group, has joined the board of Sydney and London Properties, and its subsidiaries. Mr Adler has also been appointed director of Consolidated Land Corporation UK and its wholly-owned Irish holding company, Consolidated Land Corporation Ireland.

■ AVON COSMETICS has appointed Mr Stephen Bogira as vice president, planning and administration, a new post. He was finance and administration director at

■ Mr Brian A. Carte, managing director, National Westminster Insurance Services, has been elected president of the ASSOCIATION OF CORPORATE TREASURERS.

Mr Tony Harris has been appointed director of marketing for European operations at DIGITAL RESEARCH (UK).



Mr Robert Drummond, managing director of County NatWest Ventures, and executive director of County Nat-West, is to join the board of ELECTRA INVESTMENT TRUST on March I. He will become a vice chairman of Electra Management Services. Mr David Symondson has been appointed to the board of Electra Management Services.

■ Mr Bernard Ness, chairman and chief executive officer of Canada Wire and Cable has been appointed a non-executive

director of ULTRAMAR.

■ Mr Robert J. Kemble has been appointed to the new post of managing director at LABATT BREWING UK, a subsidiary of Labatt Breweries of Canada. He was director of sales and promotions. Mr Michael D. Hurst becomes vice president marketing of Europe, and Mr R. John Diakiw is made marketing director.

J.H. MINET & COMPANY has appointed Mr Simon Lovett as executive director of the oil and gas division.

■ MEGGITT has appointed Mr Gordon Lovett as director of a group of companies in the controls and instrumentation division. In the group Mr Stuart Reid is appointed managing director of the KDG/ Mobrey companies and Mr Robert Butcher is appointed managing director of Negretti Automation.

■ Mr Tony Gannon has been appointed marketing director of BRITISH CAR AUCTIONS. Mr Tom Madden has been appointed director, customer affairs.

■ Mr Roger Booth has been appointed deputy managing director of WILLMOTT DIXON's Anglia company Bush Gould. He was construction director.

■ Mr Alexander von Mellenthin has been appointed an associate director at YAMAICHI INTERNATIONAL (EUROPE). He was with S.G.

Mr Thomas H. Wyman has joined the board of UNITED BISCUITS (HOLDINGS) as a non-executive director and also as chairman of the group's American subsidiary UB (Holdings) U.S. Based in New York he is a former chairman and chief executive officer of

■ Mr Adrian Shooter, pational business manager of Red Star. is to be director, parcels, BRITISH RAIL. He succeeds Mr Brian Rundsall who became director, quality, last November.

■ DATAPOINT (UK) has appointed Mr David Parcell as sales director.

■ Mr Stanley Brown has been appointed managing director in charge of commercial development and investment in the property division of TILBURY GROUP. He was deputy managing director of Ladbroke City and County

■ ASH & LACY has made the following appointments: Mr John Horne has been approinted finance director of Ash & Lacy Perforators; and Mr Jeff Hollies becomes finance director of W. & S. Allely, and south western area

manager Mr Mark Whitmore joins the board. ■ DACIA CONCESSIONAIRES has appointed Mr Richard Styer as chief executive. Mr Peter Dicken becomes commercial and financial

■ Mr Brian J. Goggin has been appointed deputy managing director of BANK OF IRELAND HOME MORTGAGES. He was financial director.

appointed an executive director of BARING CAPITAL INVESTORS. He was an investment director at 31. CITIBANK has appointed

Mr Paul Griffiths has been

Mr Nick Jones as head of insurance banking in its financial institutions group. He was head of insurance banking in Tokyo.

■ Mr Jack Alston has been appointed chairman of JARDINE (LLOYD'S UNDERWRITING AGENTS) following the death of Mr Ben Lyon. Mr Graham White succeeds Mr Martin Wakeley as non-executive director. Mr Richard Pears, an external member of Lloyd's of London who underwrites through the company, has joined the board



Mr John Woodger has been appointed operations director at REDPATH DORMAN LONG. a company in the offshore and structural division of Trafalgar House. He joined from Northern Engineering Indus-

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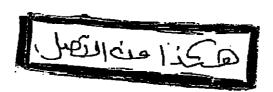
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FINANCIAL TIMES MONDAY JANUARY 16 1		NFORMATION SERVICE *	or Current Unit Trust Prices on any telephone ring direct-08364 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT
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● For Current Unit Trust Prices on any telephone ring direct-0835 4 + five digitalisted below). Calls charged at 36p per minute peak and 25p off peak, in FT UNIT TRUST INFORMATION SERVICE ### Prior Prior Sens Dec ### Prior Prior Sens Dec ### Prior Prior Sens Dec ### Prior Prior Sens Dec ### Prior Prior Sens Dec ### Prior Prior Sens Dec ### Sens De other Yield City-Price Street Date 常 型 第 Other Yield City-Price Cress Mass die Life Assurance Co List - Contd. Samela Presidents
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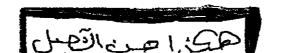
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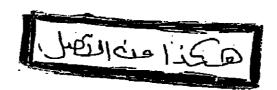
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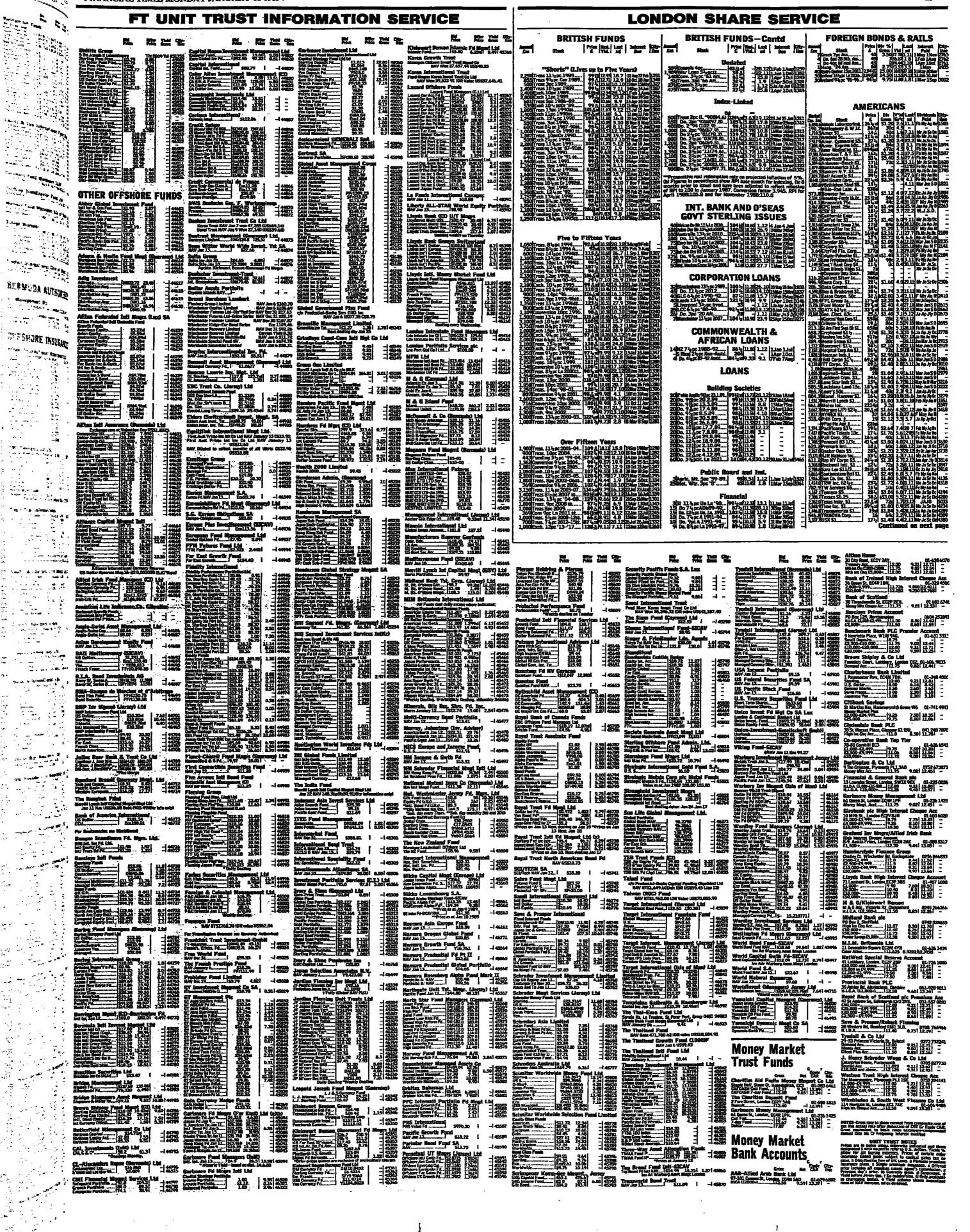
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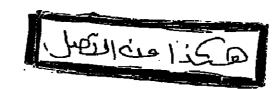
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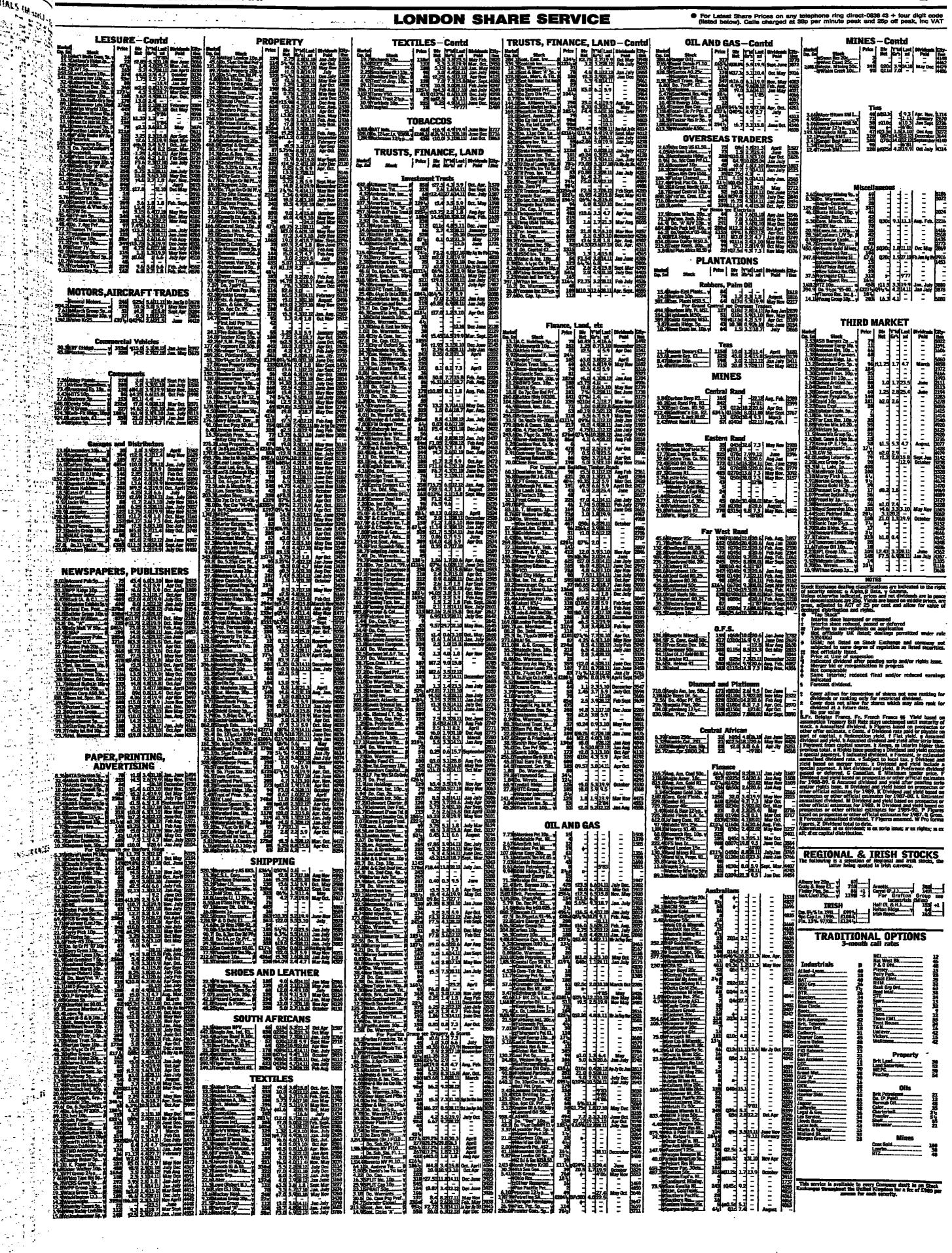




	LONDON SHARE SERVICE	(listed below). Calls charged at 38p per minute peek and 28p of per minute	•
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#### **CURRENCIES, MONEY AND CAPITAL MARKETS**

#### FOREIGN EXCHANGES REVIEW

# narting a course for the dollar

AT A New Year celebration, held by the Bank of Tokyo in London, guests were asked to forecast the dollar's value against the yen at the end of 1989. The highest was Y195, the lowest Y95; not surprisingly, the majority came in the Y110 to Y120 range, with the average about Y115.

Forward rates now allow the dollar to be sold under a 12-month contract at about Y120, and if the general level of forecasts from dealers at the Bank of Tokyo party turn out to be correct, the dollar could then be bought back for about Y115.

in the meantime, of course, dollars held will be attracting higher interest rates; the 12month Eurodollar rate is now about 9% p.c. while the 12-month yen rate is under 5 p.c. So, it is an attractive proposition to hold dollars, even if US

interest rates do slide lower.

Barclays de Zoete Wedd
highlights how wide interest
rate differentials have become

**£ IN NEW YORK** 

STERLING INDEX

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97.7 97.7 97.9 98.0 97.9 98.0 98.0 98.1

Class

Jan.13

Previoce Close

between New York and Tokyo, noting that the three-month differential is now the widest for four years. BZW sees the dollar as the most attractive

major currency.

There is a technical resistance point of Y126.80 on chart based trading, and the dollar tested it on Friday. It had also moved through a resistance point of DML8380 against the D-Mark, to a three-month high of DML8430, before falling back on co-ordinated central bank intervention and lower than expected December US retail trade figures. Nevertheless, the underlying sentiment was not too badly damaged.

Chart-based trading suggests

the dollar remains an attrac-tive proposition, at least in the short to medium term. Charts are based on moving averages, which may be as short as fifteen minutes, and as long as 200 days. Moving averages for 30 days are likely to show the establishing of a trend, but the

market feels that 130 days gives the best medium term guide to currency movements. The dollar is now above its 130 day moving average against most European currencies, and on charts that signals a strong upward trend. For example, the 130 day moving average against the D-Mark is DM1.8200, and on Friday the dollar closed in London at

The signal is not so strong in terms of the yen, where the 130 day moving average is Y129.06. On Friday the dollar closed at Y126.65, but this is above the 30 day moving average of Y123.97.

Sterling is also a good buy against the D-Mark, but not against the dollar, on a similar basis. The 130 day moving average against the D-Mark is DM3.1770, and on Friday the pound rose to DM3.26. BZW believes the pound can move through DM3.30, and could even reach DM3.40.

But not everyone agrees. They seldom do in the foreign exchange markets, and Mr Chris Tinker at Phillips and Drew does not see the momenturn left in sterling to move it much above DM3.2750. He points out that last Autumn, Mr Nigel Lawson, the Chancellor, said he was happy with sterling at 3 p.c. either side of the then current exchange rate

index.

Based on the new index, the top of this range would be 98.3 according to Mr Tinker, and this level was touched on last Thursday morning.

The Chancellor, says Mr. Tinker, is happy with the present level of sterling, but only because he does not expect it to stay there very long. Mr Tinker (and probably the Chancelker (and probably the Chancel-lor as well) thinks the pound will weaken later this year, as inflation peaks and UK interest rates can come down again.

Colin Millham

CURRENCY RATES					
Jan 13	Bank rate %	Special* Drawley Rights	European Currency Unit		
Sterling U.S. Doklar U.S. Doklar Chendran S Austrian Sch. Belgian Franc. Double Knobe Belgian Franc. Besch. Guilder Fresch Guilder Fresch Franc. Japaner Yen Borwey Knobe Spanish Penzia Swebs Franc Swebs Franc Swebs Franc	132 1124 7.75 1232 1232 1232 1232 1232 1232 1232 123	0.743392 1.59144 1.7.0197 50.75236 2.42367 2.73664 8.26379 1.782.71 167.790 8.28636 151.919 8.28906 2.00162 201.427 0.906667	0.639285 1.15185 1.35992 14.6417 43.6499 8.06415 2.08453 2.1525 7.10974 1530.27 143.627 17.8699 130.899 130.899 130.7701 177.701 172.992 0,779191		

CURRENCY MOVEMENTS				
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Morgan Goaranty 982 = 100. Bask of 985 = 1000*Rates are	cnanges: & England ladex for Jan. 12 .	terage 1980- (Base Average		

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872211	7555.75775	4 2400 - 4 242
Greez	267.65-272.15	151.30 - 154.0
Hong Koog	13 9225 - 13.9355	7.8045-7.806
729	122.75° 1209.20 - 1218.90	68.85° 680.20 - 685.81
Korea(Sth) Kuwait	0.50590 - 0.50640	0.28360 - 0.283
Leatenhoure	68.10-68.20	38.25-38.35
Malaysia	4.8440 - 4.8560	2,7210 - 2,724
Mexica	1491.20 - 1499.40 2.8190 - 2.8265	2282.00 - 2292. 1.5800 - 1.583
W. Zepland Sandi Ar	66900-66960	3.7500 - 3.751
Sisteman	3,4565 - 3,4620	19400-1942
S. Af (Cm)	4.2440 - 4.2555	23900 - 2383
5. Af (Fa)	6.9395-7.0780	3.8910 - 3.968 27.65 - 27.75
Talwan LLAF	49.15-49.40 6.5515-6.5570	36725-3673
	"Selling rate	2.0.2

3 ليستر	Short	7 Days	One	Three	Stx	Gne
	tenn	notice	Month	Months	Months	Year
ierling	13-12% 92-16% 92-16% 582-513 53-513 53-513 53-513 73-73 42-43 42-43 92-811	13-123 94-9 103-104 552-56 54-5 54-5 84-84 129-119 7-6-7-1 4-1-4 8-7-1 94-94	134-13 94-94 104-104 554-54 54-54 54-54 54-54 84-84 44-44 84-8 94-94	134-132 92-93 114-104 15-52 54-55 54-55 54-55 12-115 74-75 42-42 81-8	134-13 92-92 114-114 64-553 53-553 53-553 82-114 72-72 44-44 84-84 84-84	129-12 911-91 112-11 6-6 55-5-5 81-8 112-7 87-8 91-91

EXCHANGE CROSS RATES										
Jan 13	٤	\$	DM	Yes	F Fr.	S Fr.	ИFL	Liza	CS	8 Fr.
£ \$	0.562	1.780 1	3.260 1.831	2255	11.12 6.247	2.780 1.562	3.680 2.067	2394 1345	2140 1202	68.15 38.29
ÇAR Yên	0.307 4.435	0.546 7.894	1 14.46	69.17 1000.	3.411 49.31	0.853 12.33	1129 1632	734.4 10616	9.656 9.490	20.90 302.2
F Fr. S Fr.	0.899 0.360	1.601 0.640	2第	202.8 81.12	10. 4.000	<u>2</u> 500	3.309 1.324	2153 861.2	1.924 0.770	싫贫
H FI. Ura	0.272 0.418	0.484 0.744	0.885 1.362	61.28 94.19	3.022 4.645	0.755 1.161	1 1537	650.5 1000.	0.582 0.894	18.52 28.47
CS B Fr.	0.467 1.467	0.832 2.612	1.523 4.784	105.4 330.9	5.1% 16.32	1.299 4.079	1.720 5.400	1119 3513	1 3.140	31.85 100.

ireland	3.244 - 3.264 265.55 - 284.85 203.90 - 284.85 23834 - 2397.5 11.81 - 11.864, 11.66 - 11.12 11.694 - 11.15 2234 - 225 22.76 - 22.89	12200 - 1 2210 3254 - 1264 267.00 - 288.00 264.30 - 204.60 23934 - 23944 11.844 - 11.854 11.11 - 11.12 11.134 - 11.144 225 - 226 22.85 - 22.88 2.774 - 2.784	54-56-50-50 0.55-0.56-50-50 24-26-50-62-24-50-62-24-50-50 3-13/e-50-24-4-4-50-24-4-4-50-24-4-4-50-50-14-1-5-50-50-13-1-2-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5	4.94 5.16 7.59 1.32 1.00 2.78 4.72 2.96 6.56 7.82	12 k-11 % per 8-7 k per 4 k-4 % per 39-36 k per 5 k-4 % per	4.59 7.21 1.65 0.81 1.05 1.75 4.30 2.78 8.31 6.60 7.19
4,80-4.70cps						
Jan.13	Day's spread	Close	One mostle	94 p.a.	Three months	P.

126.60 - 126.70 | 0.61-0.58ypm | 12.92 - 12.921<sub>2</sub> | 3.05-2.35yropm | 1.5610 - 1.5620 | 0.52-0.49cpm |

MONEY RATES

**POUND SPOT- FORWARD AGAINST THE POUND** 

1,7795 - 1,7805 2,1350 - 2,1360 3,671<sub>2</sub> - 3,681<sub>2</sub> 68,10 - 68,20

#### **MONEY MARKETS**

Yen per 1,000: French Fr. per 10: Liza per 1,000: Belgian Fr. per 100.

#### **Bundesbank likely to** tighten its stance

TIGHTER MONETARY policy by the West German Bundes-bank could be the most significant interest rate movement on the horizon. This would be seen as a move to defend the D-Mark against the dollar, but the Bundesbank would may also welcome the opportunity to raise interest rates to con-

trol money supply growth and inflationary pressure.

The dollar is strong, and the D-Mark relatively weak at present, but the picture could change with a tightening of the Bundesbank's monetary

Growth in M3 money supply has been above the Bundes-bank's target for the last three years. The target was set at 3 p.c. to 6 p.c. last year and the high point has been reduced to 5 p.c. this year. Inflation in West German is running at an annual rate of 1.6 p.c., but this will not be helped by any further weakening of the D-Mark. Forecasts suggest that unless port the franc.

& NatWest Capital Markets Limited

Agent Bank

the Bundesbank acts, there is a danger of inflation reaching 3

Zero inflation is West Germany's stated aim, and it is unlikely to let the possibility of a realignment in the EMS prevent it from trying to achieve its goal.

Higher German interest rates will put downward pres-

sure	on	other	currencies
UK d		hack bee	o hading rate
	•	13 per ça u Novemi	

According to Chase Manhattan in London the Dutch guilder is likely to be revalued within the EMS in line with the D-Mark, while the Belgian franc and Italian lira will be devalued. The French franc is also likely to be devalued, but perh by very much. The l authorities have already ened monetary policy,

NEW YORK		Treasury Bills and Bonds									
(4pm) Prime rate	10½ Tà 10½ Tà 10¼ L Sh	e mosth o mosth ree mosth e year o year		9.00 Seven year9.00							
Jæn.13	Overnight	One Mosts	Two Months	Three Months	Şîz. Maetis	Lombard Interestion					
Frankfort Paris Zarick Assterdate Tokyo Milias Brussels Dabilis	83,-83, 43,-45, 5,25,5,40 3,78125	5,35-5.50 83,-84 54-54 5,80-5.90 4,28125 114-124 73,-74	5.35-5.50 81 <sub>4</sub> -81 <sub>2</sub> 71 <sub>4</sub> -8	5.45-5.60 82-83 53-54 593-603 4.53125 114-124 73-74 74-84	5.60-5.75 8½-8¾ - - 8¾-8½	5.90					
	ONDO	e e		RATE	:5						
Jan 13	Grennight	7 days aotice	One Mosth	Months	Six Months	One Year					
Interbank Offer Interbank Sid	125	13 124 124 124	1314 13 13 127 127 13 13 13 14 128 13 13 13 13 13 13 13 13 13 13 13 13 13	134 134 134 134 134 135 120 9.35 4 30 7.91 7.91	134 134 134 134 134 128 128 9.50 9.50 84 7.54 7.54 7.54	128 128 128 124 125 125 127 9.70-9.65					

set German is running at an mual rate of 1.6 p.c., but this li not be helped by any furar weakening of the D-Mark. recasts suggest that unless to be devalued, but perhaps by very much. The Fred authorities have already the ened monetary policy, to a port the franc.	nch ght-	ECU United Dep Bis Treasury Bills (sell opermonth 12 is per or discount 12 5093 n.c. 1988. Agreed rates for Schemes II & III: 14 37 V&V: 13.173 p.c. Lo fixed. Finance Houses is days notice 4 per cent. ander one month 7½ p.	ECGO Fixe period Ja- p.c. Refere cal Authori Base Rate 1 Certificate er cent: one	d Rate Steri nuary 25,190 noe rate for p ty and Finan 3 from Janua s of Tax De -three month	ing Export Finance. M 39 to February 25, 19 seriod December 1 to De nce Houses seven days' ny 1, 1989: Sank Deps posit (Series 6): Deps 5 9 per cent: three-six:	lake up day Di 189, Scheme I scember 30, I notice, other tosit Rates for s it £100.000 a months 9 per c	ecember 30 , : 13.97 p.c., 968, Scheme s seven days seven days and over held cent' six-nine
		July 5,1988 Departs	size-(webs withdraw	e months 9: n for cash 5	per cent; Under £	FIXING	er cent, from
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Каради за <mark>постава је вина на вина пре</mark> на пред 18 година и постава на 18 година и постава на 18 година.			L		M 92		94
	and providing the	The fixing sates are the artificated by the surfact to five Bank, Bank of Tokyo, Dead BANK, OF	e reternice in Ische Bank, I	nts at 11,00 a Sangue Nations	OD. 63ch warking day. The l	banks are Nation Granty Trans.	al Weitminster
* ************************************				7 1111		Jan 1	3 Jan.6
The Kingdom of Belgium		Blils on offer Total of applications	<u> </u>	ka 5675m	Top accepted rate of discont,	12.5093	39 <u>112 5734%</u> 3%112 5512%
£100,000,000		Total allocated		75 196.865	Average yield	12 9120 rder \$100r	1%12.9566% n £100m
Floating Rate Notes due 1994				. ,	<u>.                                    </u>		
In accordance with the provinces of the Notes, notice is hereby		WEEKLY C	HANG	E IN W	ORLD INTE	EST R	ATES
given that for the Interest Period from 13th January, 1999 to 13th April, 1989 the Notes will bear a Rate of Interest of 13.375% per		TONDON	Jan 13	change	NEW YORK	Jan.13	daye
mmmn. The Interest Amount payable on 13th April, 1989 will be £3,297.95 per £108,000 Note.	8	Base rates 7 day Interbank 3-mosth laterbank	134 134 134	Uncird Uncird Uncird	Priste rates	10½ 9¼ 8,50	Uma'e +1g -0.12

SDR Linked Dep 81d ECU Linked Dep Offer	3 3	} <u> </u>	71.	79 74 84	81 82	84 75
ECU Linked Dep Big	{	h 1211 per o	7(1 ent; three mon	84 ths 12 g pa	62. rosst; Ban	( 84 k Bills (self):
Treasury Bills (sei ope-month 121), per discount 12.5093 n.c. 1988. Agreed rates fo Scheme II & III 14.31	ent; three r ECGD Fixe r period Jac r o.c. Refere	months 1233 of Rate Steril nusary 25,198 nuce rate for p	per cent; Tre ing Export Fil 19 to February eriod Oscenti	asury Bills, nance. Maio y 25 , 1989 er i to Dece	Average to e up day De ), Scheme I; mher 30 I !	inder rate of comber 30 , 13.97 p.c., 988 Schame
IV&V: 13.173 p.c. Leftxed. Finance Houses days notice 4 per cent	cal Authori Base Rate 1. Certificate	ty and Finan 3 from Janua is of Tax Dea	rce Houses ser ry 1 , 1989; & rosit (Series 6	ren days' no Sank Deposit J: Deposit :	rtice, others t Rates for s £100.000 a	STYPE days BITTS at SEVER and over beld
V&V: 13.173 p.c. U. fixed. Finance Houses days notice 4 per cent ander one month 7½; months 9½ per cent July 5,1988, Deposit	er cent; one nine-(welv s withdraw	-three months 97 n for cash 5	s 9 per cent; t o per cent; per cent.	bree-six mo Under £10(	ntis 9 per c ),000 7 pe	ent six-nine r cent from
	01126					
G1.00 a.m. Jan 13			ERBA			<u></u>
M 92		vs 004255 = 94	- H4	<b>T</b>	QS Delias ofter	92
The fixing rates are the art quoted by the market to fit	theretic recars	rounded to the		· <u>-</u>		
quoted by the market to fi Bank, Sank of Tokyo, De	é réference la ésche Bank, I	nks at 11,00 a. Sangue Nationa	m. each working i de Paris and i	dayi. The bari Norgan Gaara	ks are Nation sky Trans.	il Westminster
BANK OF			REASUF	Y BIL		
Bills on offer	) Jac.	13 Jan.6	Too accepted ra	مد حجالة أم مه	Jan I'	3 Jan.6
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Minimum accepted bid Allotment at svinimum lege	£96.8	75 196.865	Average yield Amount on offe	r at next teach	£100a	£100m
440000000000000000000000000000000000000	MANG	F IN W	OPIDI	NTERE	ST RA	
WEEKLY (			ORKD I			/1 W2
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LONDON Base rates 7 day Interteals 3-mostly loter back Treasury Bull Tender	Jan 13 13 13 131 12 5003	change Unch'd Unch'd Unch'd -0.0429	NEW YORK Prime rates. Federal Fund 3 Mile. Treat 6 Mile. Treat	k	Jan. 13 10½ 9¼ 8.50 8.91	change Unable +1 <sub>0</sub> -0.12 -0.19
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#### FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS		FRIDAY	JANUARY	13 1989		THURSE	RAURAL YA	y 12 19 <b>87</b>	DELLAR INSEX				
Figures in parentheses show number of stocks per grouping	US Dol!ar Index	% Change Since Dec.30 88	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1968/89 High	1988/89 Low	190 (approx)		
Australia (90)	93.71 134 30 129.88	+3.9 -2.3 -0.6 +3.4	125.00 78.05 111.86 108.18	114.89 89.42 127.68 112.76	4.67 2,75 3,93 3,23	148.22 94.63 134.22 130.12	123.15 78.62 111.51 108.10	114.01 89.44 127.10 112.73 151.29	152.51 100.00 139.89 130.12 161.60	91.16 63.72 99.14 107.04 111.42	97.71 90.54 99.14 111.67		
Denmark (39) Finland (26) France (131) West Germany (102) Hong Kong (46)	126.03 116.87	+0.3 -3.7 +1.6 -0.4 +5.5	130.93 104.97 97.34 72.94 98.24	151.48 112.17 114.48 83.41 118.19	2.00 1.56 2.82 2.26 4.18	157.40 127.24 117.19 88.04 119.28	130.77 105.71 97.36 73.15 99.10	112.82 114.48 83.56 119.53	139.83 117.51 90.40 119.29	106 78 72,77 67,78 84,90 104,60	166 78 51.47 68 80 92.61		
Ireland (18)	128.10 83.97 197.43 150.86	-2.8 -1.4 +3.1 +5.1	106.70 69.94 164.44 125.65	123.59 84.35 158.06 158.18 400.30	4.08 2.39 0.47 2.69 1.28	126.94 83.80 197.18 150.45 156.12	105.47 69.62 163.82 124.99 129.70	122.14 83.99 157.23 157.66 390.88	144,25 86,88 197,43 154,17 182,24	62,99 133.61 167.83 90.07	111.31 72.82 137.36 115.68 93.09		
Mexico (13)	113.34 71.31 153.59 134.03	-1.1 +0.8 +5.5 +10.6 +7.1	133.34 94.40 59.39 127.93 111.64	106.97 59.89 138.79 119.89	4.61 6.54 1.96 2.22	112.64 70.55 153.07 134.31	93.58 58.61 127.17 111.59 99.46	105.90 59.69 138.00 120.14 103.63	113.49 84.05 153.59 135.89 139.07	95.23 98.53 97.99 98.26	78 06 74 64 103.00 103.50 131.65		
South Africa (60)	120.20 148.16 146.97 78.61 138.20	+2.9 -0.2 +1.6 +0.7 +2.1	100.11 123.40 122.41 65.48 115.11	103.24 128.80 136.14 76.10 115.11	4.48 3.17 2.10 2.23 4.70	119.71 148.06 146.75 78.65 137.68	123.01 121.92 65.34 114.39	128.31 135.62 75.87 114.39	164,47 146,97 86,75 141,51 115,55	130.73 96.92 74.13 126.66 99.19	130.73 96.92 76.22 136.68 102.78		
USA (571)	115.50 115.76 141.55	+2.1 +1.0 +1.4 +3.2	96.20 96.41 117.90 160.13	115.50 103.95 127.96 154.57	3.63 2.00 0.69	115.33 115.63 141.61 191.98	95.82 96.07 117.65 159.50	115.33 103.54 127.69 153.80	116.61	97.01 130.81 120.36	100.33		
Euro-Pacific (1687) North America (697) Europe Ex. UK (693) Pacific Ex. Japan (223)	161.61 116.27 101.57 130.38	+2.5 +2.1 +0.2 +4.7	134.61 96.85 84.60 108.60	134.54 115.37 97.26 110.53	1.54 3.59 2.80 4.43	161.40 116.13 101.68 129.85 159.89	134.09 96.48 84.48 107.89 132.84	153.90 115.20 97.05 110.42 133.03	161.61 116.27 102.91 130.38 160.10	99.78 89.27 87.51 120.26	120,40 103,25 81,54 94,14 120,40		
World Ex. US (1886)	160.10 143.47 143.13 116.76	+2.6 +2.4 +2.4 +1.8	133.35 119.50 119.21 97.25	133.63 128.82 127.67 111.30	1.61 1.97 2.19 3.65	143.31 142.94 116.60	119.07 118.75 96.87	128.39 127.20 111.04	143.47 143.13 116.76	111.77 113.26 100.00	111.88 113.43 102.16		
The World Index (2457)	142.98	+2.4	119.09	127,51	2.21	142.79	118.63						

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US \$ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.62 (US \$ Index), 114.42 (Pound Sterling) and 123.18 (Local), Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities Limited, 1987 CONSTITUENT CHANGES: Deletions: January 11: Utah Power & Light (USA); January 13: Collins (William) Ordinary and A shares (UK).

Central Canital ...

**EUROPEAN OPTIONS EXCHANGE** Feb 89 May 89 Aug. 89 Adam & Company ...... AAB - Allied Arab Bk .... Allied Irish Bank ..... Henry Asshacher. ANZ Bankon Group 13 Associates Cap Corp 12 Anthonity Bank 13 B & C Merchant Bank 13

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EOLD P	\$ 460 \$ 400	82	i	Ιź	ĪĒ	32	1 - 1	5.406.60	
OLD P	\$ 420	45	15.50 A	5	16 A	36	17 46	5 406 60	•
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OE Index P	FI. 270	277	4 50	<u></u>	760 B		<u></u>	[ FI. 403.16	
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VFi P	FI 205	7	0.70	55_	230	30	3 50 B	Fi. 206.38	l .
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ABN C	F1. 45	315	0.30	391	1.80	595 507	2.20	F1, 44.40	
19 N P	F1 45	49	0.30 0.90	391 55	28	507	2 90	FI 44.40 FI 93 10	
LEGON C LEGON P	F1.95	69	0.50	320 31	3.50	49	4.70	FI. 93 10 FI. 93 10	
HOLD C	FI 85	遊	0 20 5.50	! %	8.40	1 =	! =	FI 90 60	
LKZO C	FI. 150	1126	1.80	貂	وَ ا	126	10	E1 750 40	
KZ3 P	FL 150	278	1	378	5.30	46	2.98	FI 150.40 FI 57.60	
LMEY C LMEV P	F1.55	235	2.80	93	4 50 B	1 4	5.30 3 B	F1. 27 60	ı
AMEG C	F 80	200	190	1 120	4.40 A	1 2ó	526°	1 1 81.50	1
MARO P	F1.75	-		60 67 126	1.20	] -	1 -	F1. 81.50	
BUHRMANN-T C BUHRMANN-T P	F1. 60	924	} 2	紀	4.46 5.30	144	4.80 6.50	FL 61.40	
SENKWARK-1 P	F1.65	734	120	168 217	320	15 <u>1</u>	350	FI. 65.80 FI. 65.80 FI. 38.46 FI. 38.40	
LSEVIER C LSEVIER P	FT, 60	334 34	0.10	3	1 1		3.50 1.90	FL 65.80	1
25T-BROC. C	F1. 40	325	0.40	<b>717</b>	230	152 243	4.20	FL 38-60	i
IST-BROC. P HEINEKEN C	F1, 40 F1, 150	107 397	1 60 2.20	108 545	6,90	735	120	FI. 150	1
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łóogovens c	F1. 80	138	0.20	837	3.70	33	5.50 A	El. 26	•
100GOVENS P	F1.75	55 507	0.80 A 2.90	285 195	3.90 4.50	10 33 5 47	8 <u>مي</u> ا	FI. 76	ł
CLM C CLM P	F1, 40 F1, 40	30' <sub>2</sub>	5.10	167	1754	44	5.80 1.70	ត់ថ	1
ŒP¢	FL 47.50	977	1.30 A	1 285	1 3 1	-	] [	F1. 48.26	1
(NPP	FI. 45		- 1	101	1.50	-	] - [	FI. 48.20	1
REDLLOYD C	F1, 280 F1, 250	486 15	0.10	145 128	22.90	1 5	11	F1. 284 F1. 284	1
KAT.NED. C	FL 70	325	0.60	503	2.90	248 248	13.50	FL 69.30 FL 69.30 FL 36.90 FL 36.90	1
(AT.NED. P	FL 70	57	L30	38	12.66 i	106	1 4 1	FI. 69.30	ı
HILIPS C	FI. 35	2710	0.12	1872 615	3.40 1.30	449	3.60	F. 36.90	Į
MILLYS Y MYAI DITCH C	FI 240	251 5177	3.60	1593	1626	219	1.90 A	Fi. 241.50	1
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DBECU C	F1, 100	33	2		1 1	24	4.90	Fl. 101.50	1
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AN OM MERÉRIC	FL 35 (	340	220	205	330	140	3366	Fl. 36.90 Fl. 83.90	1
VESSANEN C	F1. 80	68	4	12	6.10			F1. 83.90	1
	TO	TAL VOL	UME IN	CONTRA	CT\$ : 82,	917		,	•
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LONDON	RECENT	ISSUES

C=Call

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FIXED INTEREST STOCKS													
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#### TO ADVERTISE **Property To Rent**

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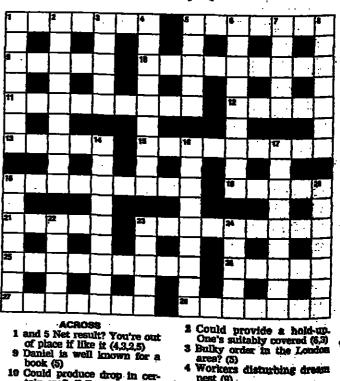
#### BASE LENDING RATES NatiVertainder Nathern Sank List City Merchants Bank ......... Cyricolain Bank ............ Comm. Bir, N. East ....... PRESENTATION OF THE PRESENT OF THE P Back Credit & Comm .... Bank of Cymen Bank of Cymen Bank of India Bank of India Bank of Scotland Bancor Belge Ltd Banchage Belge Ltd Benchmark Bank PLC Berliner Bank AS Brit Ne of Hild East HFC Bank ok Hambros Bank Heritable & Gen Inn Bak & HALL Samme

• Numbers of British Huschart Banking & Securities Reuses Association. \* Depart now 5.22%, Savester B.G.W. For The-Ethiotis Instant access 11.72% & Hustone kine rate. § Demand depart 8%. Bertann 13.625% - 14.00%.

**JOTTER PAD** 

#### **CROSSWORD**

No.6,835 Set by QUARK



ACROSS
1 and 5 Net result? You're out of place if like it (4.3.2.5)
9 Daniel is well known for a book (5)

10 Could produce drop in cer-tain craft (8,6) 11 Wine sent round includes trace of hock. Topical?

(2.3.4)
12 House call (5)
13 Rem partly to stop icicles forming (5)
15 Amber mole could be wor-

thy of note (9)

18 Canny Scot is changing, yet showing stability (9)

19 Styliah – like first-rate hotel (5)

21 The age when confidence

returns – about beginning of century? (5)
23 Noble bird in America (9)
25 Day after for poet (3,6)
26 Record carrier – a sort of

apron (5) Favour routine that takes in

the scenery (7) Collecting tin could be upset

1 One with a craze has sum in

hand (7)

24 Awkward fold turns up in it

out (5) 23 Boat to push out (6)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday January 28.

nest (9) 5 Designer loses head for Iris

6 Miniature furniture

remover? (9)
7 English tank in the wars that's captured (5)
8 Don't stay in this place or health endlessly at risk (3-4)
14 Hardly a young shaver! (9)
16 Flourish after a month oace at sea (9)

at sea (9)

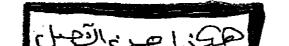
17 Non-military engagement (9)

18 Variable reactor for the inventor (7)

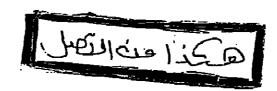
20 Seeded, we hear, and produced a crop (7)

22 Writers circle at first speaks (9)

out (5)



TOTTE



and the second s		WORLD STO	CK MARKETS
6.000 4.100 Repuls Bridge 5.080   3,355   6,055 Indistrictile 5.999 4,300 Do. AFV   5.140   1,425 Soc lices Relege 4,900   1,425 Soc lices Relege 4,901   1,425   508 Interdedings   1,425   1	Sect   1902   1923   1925   1925   1927	Price   1888/89   Price   1898/89   Price   1898/89   Price   1898/89   Price   220   25	Septem Stock   High Lew Closes Cling   TURONITO   Closesting prices   January   13   Constitution to note marked   15   15   15   15   15   15   15   1
April	24.00   1,300   1,00	187.8   22.03   19.5   5A Brewers   27.75   15.6   62.0   19.5   55.1   19.5   54.1   19.5	

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TORONTO  Closing prices January 13  stone in certa union married 5.  Allich Hr. 320. 300. 55  Allich Hr. 320. 300. 400. 400. 400. 400  Allich Hr. 320. 400. 400. 400. 400. 400  Allich Hr. 320. 300. 400. 400. 400. 400. 400. 400. 40	Select Stack   High Low   Close Chang   28100 Con TVX   30 466   5   5   100 Cheum Bar   252   25   5   1   100 Cheum Bar   252   25   5   1   100 Chewn Brig   321   21   21   4   1   100 Chewn Brig   321   21   21   4   1   100 Chewn Brig   321   21   21   4   1   1   1   1   1   1   1   1	Sales Stack   Select Cover Charge   Second Cha	Sation Stock  South C
2 CIME A f S10 <sup>5</sup> <sub>1</sub> 10 <sup>5</sup> <sub>1</sub> 10 <sup>5</sup> <sub>1</sub> 10 <sup>5</sup> <sub>2</sub> 0 CIME B S10 <sup>5</sup> <sub>2</sub> 10 <sup>5</sup> <sub>3</sub> 10 <sup>5</sup> <sub>3</sub> 0 CIME B S10 <sup>5</sup> <sub>2</sub> 10 <sup>5</sup> <sub>3</sub> 10 <sup>5</sup> <sub>4</sub> 0 CIME B S10 <sup>5</sup> <sub>2</sub> 10 <sup>5</sup> <sub>4</sub> 0 CIME B S10 <sup>5</sup> <sub>2</sub> 10 <sup>5</sup> <sub>4</sub> 0 CIME B S10 <sup>5</sup> <sub>2</sub> 10 <sup>5</sup> <sub>4</sub> 0 CIME A f S10 <sup>5</sup> <sub>1</sub> 11 <sup>5</sup> <sub>1</sub> 11 <sup>5</sup> <sub>1</sub> 11 <sup>5</sup> <sub>2</sub> 11 <sup>5</sup> <sub>3</sub> 0 CIME A f S10 <sup>5</sup> <sub>1</sub> 10 <sup>5</sup> <sub>1</sub> 10 <sup>5</sup> <sub>1</sub> 11 <sup>5</sup> <sub>2</sub> 11 <sup>5</sup> <sub>2</sub> 10 CIME A f S10 <sup>5</sup> <sub>1</sub> 10 <sup>5</sup> <sub>1</sub> 10 <sup>5</sup> <sub>1</sub> 11 <sup>5</sup> <sub>2</sub> 10 CIME A f S10 <sup>5</sup> <sub>1</sub> 10 <sup>5</sup> <sub>1</sub> 11 10 <sup>5</sup> <sub>1</sub> 11 10 <sup>5</sup> <sub>2</sub> 11 10 <sup>5</sup> <sub>1</sub> 11 10 CIME A f S10 <sup>5</sup> <sub>1</sub> 10 <sup>5</sup> <sub>1</sub> 11 10 <sup>5</sup> <sub>2</sub> 11 10 <sup>5</sup> <sub>1</sub> 11 10 <sup>5</sup> <sub>2</sub> 11 10 <sup>5</sup> <sub>1</sub> 11 10 <sup>5</sup> <sub>2</sub> 11 10 <sup>5</sup> <sub>1</sub> 11 10 <sup>5</sup> <sub>2</sub> 11 10 <sup>5</sup> <sub>1</sub> 11 10 <sup>5</sup> <sub>2</sub> 11 10 <sup>5</sup> 2 10 <sup>5</sup> 2 10 <sup>5</sup> 2 10 <sup>5</sup> 2 10 <sup>5</sup> 2 10 <sup>5</sup> 2 10 <sup>5</sup> 2 10 <sup>5</sup> 2 10 <sup>5</sup> 2 10 <sup>5</sup> 2 10 <sup>5</sup> 2 10 <sup>5</sup> 2 10 <sup>5</sup> 2 10 <sup>5</sup> 2 10 <sup>5</sup> 2 10 <sup>5</sup> 2 10 <sup>5</sup> 2 10 <sup>5</sup> 2 10 <sup>5</sup> 2 10 <sup>5</sup> 2 10 <sup>5</sup> 2 10 <sup>5</sup> 2 10 <sup>5</sup> 2 10 <sup>5</sup> 2 10 <sup>5</sup> 2 10 <sup>5</sup> 2 10 <sup>5</sup> 2 10 <sup>5</sup> 2 10 <sup>5</sup> 2 10 <sup>5</sup> 2 10 <sup>5</sup> 2 10 <sup>5</sup> 2 10 <sup>5</sup> 2 10 <sup>5</sup> 2 10 <sup>5</sup> 2 10 <sup>5</sup> 2 10 <sup>5</sup> 2 10 <sup>5</sup> 2 10 <sup>5</sup> 2 10 <sup>5</sup> 2 10 <sup>5</sup> 2 10 <sup>5</sup> 2 10 <sup>5</sup> 2 10 <sup>5</sup> 2 10 <sup>5</sup>	28837 Hamle S115, 11 114, 14 13701 Hollings 15 145, 145, 145, 146 13701 Hollings 15 145, 145, 145, 146 281308 Hornitars f 573, 74, 74, 74, 14, 1383 H Bayldon 8, 894, 88, 84, 14, 14, 1383 H Bayldon 8, 894, 88, 84, 14, 14, 1383 H Bayldon 8, 894, 88, 254, 15, 12, 28932 Immaco L 8, 285, 284, 285, 284, 14, 1000 Inland Gas 813, 127, 123, 124, 14, 1000 Inland Gas 813, 127, 123, 115, 1000 Inland Gas 813, 127, 123, 115, 1000 Inland Gas 813, 127, 123, 14, 1000 Inland Gas 813, 127, 123, 14, 1000 Inland Gas 813, 127, 13, 14, 1000 Inland Gas 813, 127, 123, 15, 1000 Inland Gas 813, 111, 111, 111, 111, 111, 111, 111,	400884 Poco Part 833 9 9 9 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	MONTREAL  Closing prices January 13  3915 Bombrutra
	IND	ices	

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NEW YO	<b>PRK</b>		DO1	W JO	NES					Jan.	Jan.	Jan.	Jan.	1986	189
	J==	] 🖛	<b>J</b>	) J==	196	8)89	Slect co	<del>mpliation</del>		13	12	n	20	High	Low
	13	12	11	10	High	Low	High	Low	ABSTRALIA						
dedestrials	2226.07		2206.43		2236.07 0372890 91.25	1879.14 (20/1/88) 86.12	2722.42 (25/8/87)	41.22 2(7)32	All Ordinaries (1/1/80) All Mitaley (1/1/80)	1517.9 684.2	1507.8 681.4	1499,4 676.2	1501.B 678.4	1657.8 (9/8/88) 847.8 (9/8/88)	1170.7 (10/2/88) 532.4 (10/2/88)
Home Books	- <b>88.7</b> 2	88.53	88.40	88.AA	0389	<b>小</b>		-	AUSTRIA				-		
Transport	9%.76	996.11	992.70		(3/3/689) 9%,76 (13/1/89) 190.02	(21/1/89)	1101.16 (14/8/87)	12 32 28/7/32) 10 50	Credit Alales (30/12/84)	223.56	223.50	22(30	223.80	225,48 (4/11,680	163.98 (11/2/88)
VERNIS	188.54	198.95	158.95		G8/1/88	167,26 (20/4/88)	0.4(8)87) 227.85 (22/1/87)	68/4/320 	BELGUM Brassels SE (1/1/84)	5709.00	56/10.80	5654.50	5616.10	5709.0003/1/870	3608.3544/14889
4Day's High 2295.00 (2299.11) Low 2210.54 (2201.71)							DENHARK								
STANDARD AND P Composite;	108°S   283.87	263.17	282.01	280.38	283.87	362.63	336.77	4.40	Copersign SE C/1/63)	280,37	280.13	220.49	283.10	285.32 5/1/9%	780'68 M\T\80
leletrisi	328.81	327.99	326,29	324.33	(13/1/89) 328.81	202.63 (20/1/88) 2/7.86	25/8/87) 313.17	0/6/320 3.62	FINILAND Unites General (1975)	729,2	729.0	730.2	729.5	772.1 (8/8/88)	530,605/1/88
Financial	24	233	25.21	25.02	03/189) 26.42	21.51 21.51	25(8,87) 32,43	21,6329 8,64	FRANCE						
XYSE Commosite	199.58	159.26	158.65	157.85	20/10/88 159.58	136.72	125/8/877 187.99	CL/10/749	CAC General (31/12/82) Inc. Tentance(30/12/68)	441.3 104.7	434.4 104.5	434.1 102.8	436.4 (a)	441.3(13/1/89) 104.7(13/1/89)	251.3 (29/1/88) 100.0 (1/1/89)
Ames Mist. Value	315.93	315.00	313.86	312.95	03/1/89	(20/1/88)	(25/8/87) 365.01	25/4/42) 29.31	CERMANY						
NASDAQ OTC Come	. 387.09	387.01	385.31	384.59	37,77	02/1/880 331.97	03/8/87) 455.28	(9)12/72) 54.57	FAZ Akties (31/12/50)	545.12 1494.7	566.69 3698.7	562.76 1687.7	560.95 1683.3	567.51(5/1/89) 1705.6(5/1/89)	396.40 (29/1/68) 1207.9 (29/1/60)
	١				(18/7/88)	(12/1/88)	(26)(8)(87)	C31/10/72	DAX (30/12/87)	1353.25	1358.74	1353.42	1345.91	1371_105/1/89	32778 (58/1/88)
Doer ledustrial Di	47.44		# 6 .66	Dec 3		× 23	year ago (		HONG KONG Hang Seng Sank C31/7/640	2843.98	2879.33	2672.52	2832.38	2879.33 (12/1/99)	2223.56 (8/2)989
DOM: STOREGY DE CH	V. 1100 ,	_	11	Jan	_	c 28	year ago (		ITALY	<b></b> -					
S & P lectustrial d S & P lecti, P/E ra	lv, yield .	- 3	15	31 12.9	7 3	.20 2.86	3.1 15.0	<del>,</del>	Sanca Com. Ital, (1972)	600.41	597.24	600.36	690.37	600.41 (13/1/09)	423.91 (9/2/88)
TRADING ACTIVITY	•		+ Volum			<del></del>	F YORK		JAPAN™ NINSH (DA S 49)		31143.45		32006.5	31298.30(13/1/89)	21217.04 (4/1/88)
		ilitiaes.	:	╸╽.	<u></u>		لا صدا		Telepo SE (Topbd) (4/1/66)	2457.53	246,62	2442.10	2427.75	2457.5803(1,189)	1690.44 (4/1/88)
Ji	n 13 J	<b>= 12</b>	70 11	_	beres Traded Rises	19	13 BF	1,999 802	METHERLANDS AMP-CBS General (1970)	297.2	294.5	290.7	293.0	297.2 (13/1/89)	205.7 (4/1/88)
Rear York 1	32.320 11.400	183,000 12,413	148.95 9.20	2	Falls Vechanged	<u>5</u>	87 94 54 92 50 13 7	802 603 534 60	ANP-CBS has 24 (1970)	260.7	257.A	254.6	255.8	260.7 03/1/8%	157.9 (11/1/88)
OTC1	22.863	135.428	115.76		Hen Highs New Lons	~ '	9 8	ij	NORWAY Odo SE (4/1/83)	509.52	507.42	500.86	501.46	509.52 03(1/89)	327.78 (26/1/89)
				···					SINGAPORE						
CANAD!	#   #	.   *	■ ſ ÷	<b>5</b> ■	5= <u> </u>		1968/89		Straits Trans Ind. (30/12/66)	2099,19	2095.31	2005.59	1083.50	1177.57 6/0/50	833.60(4/1,659
	13			11	39	High			SOUTH AFRICA JSE Gold (28/9/78)	1328,04	1331.0	1323.0	1325.0	1451.9 (777/689	1154.0 (4/5/80)
Metals & Minerals Composite	X			381.6 348.5		12.3 03/1/8 12.4 03/1/8	9 229 9 297	7 (8/2/80) 9 (8/2/80)	JSE Industrial (26/9/78)	2080.04	2079.0	2067.0	2049.0	2080.0 03/1/8%	1387.0 (12/2/88)
MICHTREAL Portfolk	179	1.59 1.75	6.07 17	48.18 1	735.87 175	g 29 (T3/T)	1305.0	6 (27/1/88)	SPAIN Madrid SE (30/12/85)	290,33	277.89	276.19	274.35	301.63 (15/6/88)	225.50 (4/1/80)
NEW YO	ЖK	AC1	TIVE	ST	OCK\$	•			SWEDEN Jacobson & P. (31/12/54)	3496_9	3493.5	3496.7	3488.5	3496.9 (13/148%)	2148.5 (4/1/88)
Friday SaatthKiine	Stock trade 2,514	Cle 1 pr 200 5	atag Ca Car car 21/2 +	ange i day i j Me i Sar	d	Sta tra 1,22		Cheape an day	SWITZERLAND Seriss Bank Ind. CS1/12/580	632,5	628.4	624.1	620.2	692.5 CI3(1,899)	466.6 CI3/1/880
Septimical   Sep									NORLD M.S. Capital Intl. CL/1/709		505.9	504.4	501.9	505.9 (12/1/09)	40770 (57/1/80)
Masco				-					**Saturday Jan. 14: Japa						
Base values of all ind and Metals — 100i Lindustrial, plus Uti	). Teroets littles, Flas	indices schil ant	bases 19 Transport	775 and tation. (c)	Montreal Po Closed. (a) U	rtielie 4/1 Paraibble	183. † Exch	Base values of all indices industrials — 264.3 and A	aus 100 Paris 100	except B All Ordi	ressels S nary and	E and D# • gologi •	X — 1,000 JSE 6 - 500; (c) Clased.	old – 255.7 JSE (x) Vozvallable.	

TOKYO - Most Active Stocks Friday 13 January 1989							
	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
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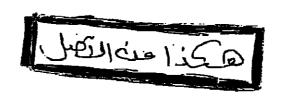
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OVER-THE-COUNTER

#### Why joint ventures can end in tears

ord Weinstock's throwa-way remark on Friday – "if you can't beat them, join them" – says more than even he may have intended about the flood of joint ventures which his GEC and most other electrical engineering groups around the world are currently erecting between themselves, in common with a host of other

Like GEC's ambitious bevy of deals with America's General Electric, GEC's proposed new partnerships with West Germany's Siemens in defence and telecommunications, and its power engineering alliance with Alsthom of France, are officially just that: partner-

But if the experience of most other cross-border strategic alliances is anything to go by, the reality is likely to prove rather different, with one part-ner gradually dominating the other — and not necessarily in line with the pattern of official

The reason, as Lord Weinstock's remark implied, is that companies such as GE and GEC are not natural allies, but competitors. In medical equipment and gas turbines, two of GE's strongest businesses, GEC's presence in the international market place has long been a considerable irritant to the American giant. It is a similar story for Siemens in telecommunications; the joint GEC-Plessey telecom subsidtary GPT, may not be an international player, but it acts as a barrier against the German company's ambitions to break into the lucrative UK market.

Seen in this light, many of today's alliances in many international industries are not true joint ventures in the traditional sense of balanced-interest deals between companies with complementary resources, market access and ambitions, but what academics have come to call "competitive collaboration," in which one partner is actually out to dis-

Many alliances between Japanese and Western companies in the electronics industry over the past decade have been over the past decade have been of this type, with the Japanese using the partnership to secure long-term access to Western markets in competi-tion with their partners, while the Western side makes only short-term gains, through the supply of products, compo-nents or technologies.

#### Takeovers by stealth

By intent or otherwise, many of today's international joint ventures are takeovers by stealth. Most Western companies are too aware of politi-cal sensibilities to admit as much in public, even when they are aware of what the alliance may become, but a few come round to the truth pretty quickly. Philips of the Netherlands has effectively conceded that its telecommunications joint venture with America's AT&T amounted to a self-out and was quicker to make what amounts to a simi-lar admission about last year's deal with Whirlpool in domes-

tic appliances.

If a joint venture partner dislikes this trend, having failed to get the upper hand, the only solution may be to cancel the arrangement – and raise the failure rate of alliances still further. Extensive research by academics and consultants suggest that the rate of collapse (as distinct from conversion into takeover) exceeds 80 per cent, which is exceeds 80 per cent, which is far higher than for mergers and acquisitions, which have a failure rate of "only" 50 to 50 per cent (rather lower for deals between the sort of "related" types of business which tend to figure in joint

By agreeing, wherever possi-ble, that control will be in the bands of one partner or the other, rather than exercised jointly, GEC has avoided one of the early traps into which other alliances have fallen. But early management control does not guarantee continued

onnnance.

If GEC's Hotpoint appliances
business is indeed to use the
GE alliance as a springboard
for expansion on the continent, it will be difficult for it to avoid experiencing a growing influence from GE's massive appliances interests back in the US. Even in one of GEC's strongest businesses, in other words, joint venturing could be the start of something altogether less pleasant.

#### THE MONDAY INTERVIEW

# Quietly against the nation's slite. Pro-fessor Fang Lizhi, then a nuclear physicist, was confined to a classroom for months and forced to study the writings of Chairman Mao. Professor Fang, however, hid a book of physics in his cloth. against the party

Steven Butler and Colina MacDougall talk to Chinese dissident Fang Lizhi

tary, Hu Yaobang. "I wasn't afraid of going to prison, but it was a very dangerous period,"

Proletarian Cultural Revolution in the late 1960s, millions of

student Red Guards rampaged through the streets and terrorised government and Commu-nist Party officials in a revolt

a book of physics in his cloth-ing. When his young jailers left the room he pulled out a copy of Lev Landan's Theory of Fields and read it again and

again.

The event marked an intellectual turning point for Fang as he became increasingly interested in astrophysics and the origin of the universe. He published China's first article on cosmology in 1872 "Cosmology in 1872" (Cosmology in 1872 "Cosmology in 1872")

on cosmology in 1972. "Cosmology was a forbidden field", he

says. "Our cosmology was already laid down by Marxism-

This put him well on the road to becoming China's most

prominent, and perhaps most courageous, political dissident,

often referred to as China's

Andrei Sakharov. Last week, a letter was published which he

had written to Deng Xiaoping, China's senior leader, urging an amnesty for all political

He made a special plea for Wei Jingshen, the "Democracy Wall" activist who was jailed for 15 years in 1979. This letter

is not likely to please Deng, who is known to have been highly critical of both Wei and

In cosmology, Fang found the intellectual foundation

from which to reject Marxist

theory. A small man, with a jovial, round face sporting

heavy, academic-looking glasses, he is quiet and unas-suming in manner. One would

not guess this is a man who

has achieved international fame by challenging appar-ently unassailable Chinese

authorities. But his strength is that, unlike most Chinese

intellectuals, he has not been

afraid to speak his mind. "Marxism is outdated," he

says. It is a simple statement

agree, but not one that can be

uttered lightly in a country ruled by the Chinese Commu-

Fang is not a man to mince

student protest all over China

the then party general secre-

nist Party.

with which many in the West, and indeed in China, would

gesture.

Professor Fang.

Fang says.
In the crackdown that followed he was stripped of his teaching post, summoned to Peking and appointed to the Peking Observatory where he had no contact with students. Yet he is still a hero to students and others as the one man who has spoken out for greater freedoms without being totally crushed.

Fang's outspokenness has launched him towards international fame beyond the circle

#### PERSONAL FILE

1936: Born, Peking 5: Joined Communist Party 1956: Graduated Peking University, Joined Institute of Physics, Academy of

Sciences
1958: Expelled from Communist Party; moved to University of Science and Technology of China 1972: Published first article on cosmology, officially crit-

icised as anti-Marxist 1996: Relocated to Peking following student demonstrations In Hefei

of scientists where he had already established a reputation as a world-class astrophys-

political atmosphere in China that the Government has not taken even more severe steps words. In 1986 he spurred his students at the University of Science and Technology in the east China city of Hefei to pro-test against party and college misdeeds. It led to outbreaks of to silence him. One of his most recent transgressions, which resulted in an international travel ban, was to say in a Hong Kong interview last autumn that he opposed the Chinese Government's aim of and finally to the sacking of bringing Taiwan back into the fold on the basis of China's

post-1997 Hong Kong policy: "One country, two systems." Fang wants all of China to be democratic and the implied reference to China's lack of freedom in a sensitive spot such as Hong Kong could not have pleased Peking. "But (the travel ban came) not because of what I said but where I said

Professor Fang's wife, who is also a scientist, is never allowed to travel. "They always give the tickets to someone else", she says. "I have no regrets about

speaking out on my political views," says Fang. "It's not that I'm particularly brave. It's

been a gradual process."

The first battle with the party came in 1958, during an "anti-rightist campaign." Just three years after Fang had joined the party, he was booted out when he refused to apply his expertise in nuclear physics to China's effort to develop nuclear weapons.

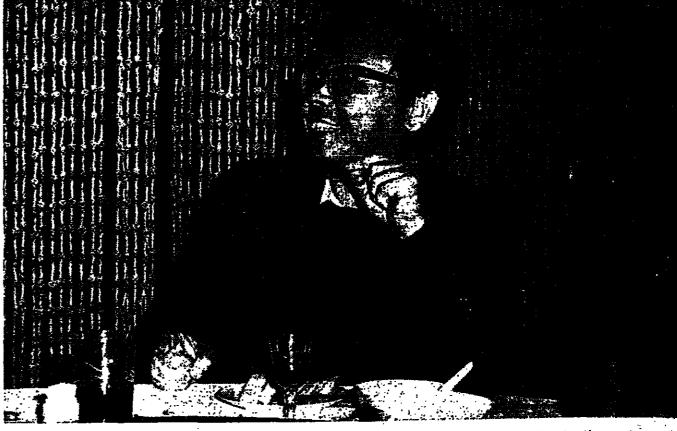
Fang does not expect his call for political change to be answered soon, but he sees himself as laying seeds that may one day sprout and mature. He believes the party

is weakening.

"The party always says it represents the working class, but if you visit the old liberated areas (the party's guer-rilla bases in the civil war), you'll see how poor they are. "For the present, a big change in a short period is impossible because Deng Xiaoping is still there. But intellectuals and students will know how to change the sys-

There is an infrastructure. If Deng dies, maybe people can push the party to change. "After he dies, there will be a power struggle. Zhao Ziyang (the current party boss) and Li

tem. This is very important.



#### 'I have no regrets about speaking out on my political views'

Peng (Prime Minister) are not strong enough to survive." Fang does see plenty of good in what Deng has accom-plished, and admires him for pushing forward with economic reforms. These have transformed China almost beyond recognition in the past decade from a tightly controlled society with an ineffi-cient and cumbersome, centrally planned economy to a society that is far more open and where market forces play

an important role. "At least they (the leaders) recognise the problems they now have - inflation, corruption and a distorted salary system." Professors and managers now earn a fraction of the income of successful peasants

or taxi drivers. Still, he believes the reform process has entered a critical phase in which China's leadership is floundering for direction. "Chinese do not see what the aim is. There is no theory. So it doesn't matter if it is a weak or a strong (government). The problem is they don't know the direction and that is the most dangerous point. If

you don't have a purpose it's hard to do anything." Fang reflects widespread dis-

appointment among intellectuals over the reform process, which was last year balted by rampant inflation that ate severely into the earnings of teachers and professionals. The reforms, begun 10 years ago, led to a dramatic increase in rural incomes and a mass exodus of rural labour into a

fast-growing private and co-op-erative industrial sector. But reforms in the planned state sector of the economy have proved far more difficult and last year helped to push inflation far above the modest levels the Chinese can tolerate. "It's difficult to say that since 1984 (when China had its

best-ever harvest) things have continued to get better. Now we have rationing again only in 1985 was there enough grain to eat. Very few people eat meat — most people only get about one kilo a month and when it's not rationed it's very expensive."

The mixture of private and public industrial ownership and planned and free markets has created opportunities for corruption. Much of this is pursued not just by individuals but by enterprises seeking to protect their own workers in an increasingly turbulent eco-

nomic environment. The result often appears to be chaos in the economy and a collapse in values that violates widely held concepts of social

The leaders just think that there are some difficulties now, like before. But intellectuals and ordinary people think it is very dangerous. One signal is that very few people believe in the party any more. Potentially I think there could be great

Fang believes that the party's credibility was severely undermined by flirtation with price reform, which produced a severe bout of inflation followed by a wholesale retreat by the party leadership. Price reform has been put on ice for two years.

In the past, Fang says, the party managed more or less successfully to shift blame for its failures eisewhere, on to the Soviet Union, on to "enemy

classes", or on to an erring leader who was purped. This time there was no one else to blame. "The result is that nobody believes them.

"There is a vactrum of belief There is a vacuum of belief and this is a big problem; After liberation (the 1843 Communist takeover), Confucianism was destroyed. They destroyed all concepts from the West, such as capitalism and religion. The only beliefs were in Man and Marxism. So now they have killed off all the beliefs.

"The consequence is very bad. Just after liberation the country was very poor, but the people believed that the future must be very good. Overseas Chinese scholars came back. But now it is just the opposite. China is not poorer than in the 1950s, but people do not believe we have a good future. Sudents go abroad and none of them want to come back. Stadents that do come back can't fit in here.

"People feel that China is splitting apart. Historians ay that the feeling that the coun-try is disintegrating comes at the end of a dynasty."

# Cost of compensation and retribution

he inequities of the laws governing compensation for personal injuries and death, both in the UK and elsedeath, both in the UK and eise-where, are notorious. They have been made more conspic-uous by the series of recent disasters: the Piper Alpha oil rig explosion, the Clapham railway crash, the Lockerble crash and the Boeing 737 crash on the MI motorway.

on the M1 motorway.

Though the need of the victims may be the same in every case, their chances of getting compensation, its amount and the time it will take to come differ widely according to the cause of the disaster and country in which the compensation can be claimed.

An attempt to arrange mat-ters more rationally would necessarily start from analysis of the interest and merits of the three parties involved in any personal injuries litigation or settlement. They are: the vic-tims, those liable for the acci-dent and the lawyers. The fact that the liable party

now often pays almost half as much again as is ultimately received by the victim - and sometimes even more - indi-cates that the transaction costs are absurdly high. The lawyers, who, as a rule, are blamed for the high legal costs, are often doing their best to fight a system which has an inbuilt propensity for delay and high costs.
Victims of such accidents
may have had their earning

capacity reduced, been made dependant on nursing and medical attention, been deprived of the financial and moral support of spouses, children, or parents, and suffered pain and anguish. But not necessarily more than the ricessarily more so than the vic-tims of natural disasters such as floods, hurricanes, earthquakes and epidemics, where there is no one who can be blamed or made liable. Indeed, a sudden death in a disaster may be more merciful than a

long protracted illness.

The prevailing opinion that victims of disasters with human causation should be compensated and helped more than victims of natural disas-ters or diseases, is prompted by two considerations.

• First, there is the feeling that society owes more to those who suffered by avoid-



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able misfortune; this seems justified in a world where the needs of all suffering, however caused, are not fully taken care of by perfect health services and complete social security. We do not live in such an ideal

• Second there is the conviction that, if the accident or disaster was caused by a human failing, not to speak of recklessness or malice, there ought to be some retribution.
Such feeling, though often irrational, has a pragmatic justification: the threat of liability to victims and of damages for property losses is about the best method of keeping manufacturers, professionals and operators of public services on their toes. It obliges them to keep improving the safety of their operations and not to relent in their vigilance.

In this context the legal service comprises both the courts and the lawyers. The high share of compensation absorbed by the legal costs may be due to several causes. Some US jurisdictions now limit the percentage which can be absorbed by contingent fees. In the UK, the Lord Chancellor seems to favour standard fees for certain legal services to avoid uncontrollable time fees, but no one seems to be ready to attack the uncertainty of law and the inadequacies of procedure which lead to, or create an opportunity for charging high fees.

Another cause of high legal

Anomer cause or high legal costs seems sometimes to be insufficient specialisation in dealing with this type of dispute both on the part of law-yers and of courts. For cartain types of personal injury claims,

compensation seems to come faster and with greater predict-ability because the claims are ability because the claims are handled by highly specialised lawyers — in asbestos claims, for example, about which I wrote in this column last week. Co-operation among lawyers, first developed in the US class actions, obtained good results in the Piper Alpha disaster in the UK. The awareness of its importance led the Law Society to open a Disaster Co-operation Service to deal with the aftermath of the Boeing 737 crash. It hopes to arrange an

crash. It hopes to arrange an early meeting of solicitors acting for the victims.

But there is a need to go further. In the same way as the technical and medical management of disaster rescue operations requires a special organisation, so too does the legal and financial aftermath. There is need for a public body which would disentangle its two senarate elements comtwo separate elements, com-pensation to victims on the one hand, and the contribution of those liable for the disaster.

Such a public institution - "a disaster fund" - could compen-sate victims according to a tariff taking into account the need and the degree of loss and damage suffered. There could be an immediate partial payment, followed later by an award of additional compensation in a lump sum or an arrangement. tion in a lump sum or an annuity, when the need of the vic-tim was better ascertained.

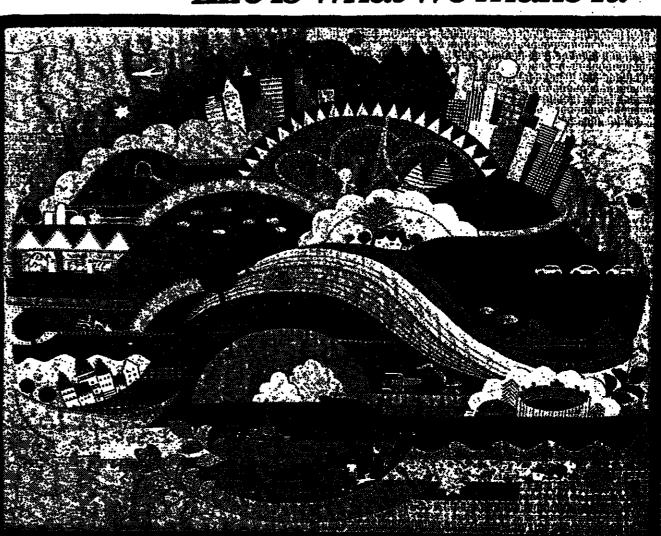
tim was better ascertained.

The public disaster fund could have its own independent assessors and medical experts. Its decision could be appealed to the courts by way of judicial review, as with any other decision of a public body.

After providing for the immediate needs of the victims, the disaster fund would have plenty of time to seek compensation from the parties liable for the accident. It would liable for the accident. It would be likely to get better results faster and with lower legal costs than individual claimants. Its lawyers would be highly specialised and the stamina of the institution would equal that of the insurance companies which are mostly the real defendants in personal

The only loser might be the legal profession, but they have plenty of other business on their hands.

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